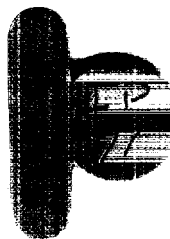


Approved For Release 2000/04/17 : CIA-RDP79T01049A000100080001-8



Approved For Release 2000/04/17 : CIA-RDP79T01049A000100080001-8

Project: (P-7) OFFICE OF REPORTS AND ESTIMATES
Project Initiation Memorandum

Do not file
Do not notify State.

Date: 23 Feb 50

To: D/No

From: Publications Division, Projects Planning

Subject: Vulnerability of Swedish iron and steel industry

Statement of Project:

Origin: Internal (K-1067)

Problem: To estimate the vulnerability of the Swedish iron and steel industry to economic warfare

Scope:

The problem is to be viewed in terms of economic pressures from either East or West, and will presumably involve a summary of export outlets as well as the stability of the industry itself.

Graphics (if any): —

Form: Memorandum, original + 2 carbons.

Draft due in D/Pub: 3 March 50 (Note that request reached D/Pub on 21 Feb 50)

Responsible Division: D/No

Dissemination deadline (if any)

Internal Coordination: D/EC

Departmental Responsibilities: None

Classification to be no higher than: Secret

Recommended Dissemination: Requester only

1. Sweden - Resources, Industrial - Iron and Steel.

SECRET

10 February 1950

MEMORANDUM FOR: D/Pub, ORE

25X1A

ATTENTION :

SUBJECT : The Vulnerability of the Swedish
Iron and Steel Industry to Economic
Warfare.

1. It is requested that this office be supplied with an estimate of the vulnerability of the Swedish iron and steel industry to economic warfare.

2. There has been a 17 February 1950 deadline established for this information.

3. Your cooperation in this matter will be very much appreciated.

25X1A

Acting Chief, Intelligence Support

Reference: 25X1A

SECRET

CONFIDENTIAL

D/Pub

10 April 1950

D/Ko

IP-71--Vulnerability of Swedish iron and steel industry**Iron Ore**

Sweden has an estimated reserve of two billion tons of high-grade magnetite iron ore with a metallic content averaging about 63 per cent and representing about 3 per cent of the estimated world supply. The deposits are found in three regions. The oldest production area is the Bergslagen area of central Sweden where ore of low phosphorous content used chiefly by the domestic iron and steel industry is mined. The most recently developed mines--and the least important--are in the Skelleftea region of Vasterbotten.

The greatest ore region is in Lapland at Kiruna and Gallivare, north of the Arctic Circle, where 80 to 90 per cent of Sweden's iron ore is located within an area of 8000 square kilometers. The Gallivare deposits are estimated at 250 million tons and those at Kiruna at over one billion tons. The mines are chiefly open-cut mines although part of a present expansion program includes a partial changeover to more extensive underground mining. Operations (including lighting necessary during the long winter nights) are dependent on hydroelectric power. The Kiruna area has a population of approximately 15,000 persons most of whom are connected with the mining operations.

The mines in the Kiruna area are operated by Luossavarra-Kirunavaara AB which is controlled 50 per cent by the Swedish State and 50 per cent by Grangesberg-Oxelund AB. The latter company performs the mining operations. Production of the mines is regulated by a State controlled quota system and is dependent primarily on the export market, since only a small proportion of this ore is consumed domestically. State-owned single-track electric railroads carry the greater part of the export ore 115 miles to the Norwegian port of Narvik, which is ice free the year round, and the balance to Lulea, which is icebound during the winter, on the upper part of the Gulf of Bothnia. The port facilities at Narvik have been adequately expanded, but exports could be limited by the capacity of the railroad, whose original capacity has been expanded by building additional sidings along the line. Operations could be brought to a virtual standstill by disruption of the hydro-electric plants at Porjus, Sweden, and Nygaards, Norway. Porjus supplies the power for the Kiruna mines, the city of Kiruna, the Kiruna-Lulea electric railway and half of the Kiruna-Narvik line. The station at Nygaards supplies the power for the city of Narvik, its docks, and the remainder of the railroad from Kiruna.

Total Swedish iron ore production in 1948 was 13,287,118 metric tons; 11,518,000 were exported during that year and 12,784,000 were exported in 1949. The chief importing countries of Swedish iron ore in 1948 were as follows:

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Lump ore (Metric tons)

UK	3,182,136
Belgium	1,866,479
US	1,485,861
Germany (British-American zone)	1,316,501
Luxembourg	1,228,523
Czechoslovakia	988,677
Poland	595,717

Virtually no iron ore is imported by Sweden.

Iron and Steel Industry

Reference is made to the Situation Report on Sweden, pages 30 to 34, for basic information on the iron and steel industry through 1947 and part of 1948 and for general information on objectives of the postwar expansion program. Production of iron and steel increased during 1948 and 1949. Pig iron production in 1948 amounted to 754,300 metric tons and in 1949 to 801,000 metric tons. Production of steel ingots and castings reached an all-time peak in 1949 at 1,366,400 tons compared with 1,256,900 tons in 1948 and the output of rolled and forged steel rose from 888,000 metric tons in 1948 to 946,400 tons in 1949. The estimated domestic consumption of finished steel in 1949 was 1,524,000 metric tons. Sweden concentrates on the production of high-grade steel and therefore must import lower grades of iron and steel and semi-finished products. Thus in 1948, 100,226 metric tons of pig iron were imported, principally from the Netherlands, the US-UK Zones of Germany, Finland, and Austria. Slightly more than 5,000 tons were imported from each Poland and the USSR.

Finished steel imports in 1948 amounted to 616,700 metric tons. The United States was the largest supplier of steel plate, furnishing roughly 110,000 metric tons out of total imports amounting to 208,870 tons. Other principal suppliers of steel plate were the UK, Belgium, and Luxembourg. Austria supplied approximately 14,000 metric tons, Czechoslovakia 13,000, and Poland 5,000. Imports of warm rolled iron and steel and products thereof amounted to roughly 252,530 metric tons supplied principally by Luxembourg, Belgium, and the UK, with approximately 12,500 tons imported from Czechoslovakia and 11,700 tons from Poland. Belgium, the UK, and the US were the primary sources of cold rolled and cold drawn steel amounting to 20,127 metric tons. Belgium, Luxembourg, the UK, and the US in the order named, were the chief sources for other finished steel products.

although of high quality *by volume*
Swedish exports of iron and steel are relatively insignificant, in comparison with production and imports, amounting only to 129,800 metric tons in 1948, including 20,000 tons of pig iron and 94,700 metric tons of rolled and forged steel. Pig iron was exported primarily to Belgium, Switzerland, France, Italy, and Czechoslovakia. Other iron and steel exports were spread out between such a large number of countries that it is doubtful that any single country except the US received greatly in excess of 5,000 metric tons. Minor quantities were exported to Eastern Europe.

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Centralization of the iron and steel industry from hundreds of small iron works scattered in forest regions began in the 19th century. The Uddeholm Company commenced this development and today is one of the largest companies in Sweden. All of its industrial plants and lands are located in the province of Varmland. It owns nearly 1,200 square miles of land from which most of its raw materials are obtained. In addition to the production of iron and steel it also produces wood products such as pulp and timber, and electro-chemical products. Its metal operations are concentrated in four plants: Munkfors Iron Works, which specializes in cold rolled and stainless steel; the Hogfors plant which was erected near the old Uddeholm Ironworks and was designed for the Bessemer process of steel production; Storfors, which specializes in the manufacture of pipes and tubing; and Nykroppa.

Besides the Uddeholm Company's plants there are only three other steel plants in Varmland; Lesjöfors (steel cables), Björneborg (castings and wrought iron goods), and Degerfors.

In the province of Dalarna, Stora Kopparbergs Bergslag replaced 19 of its old plants with the Domnarvets plant which is undergoing extensive expansion and will have the largest steel ingot capacity in Sweden. Like the Uddeholm Company, Stora Kopparbergs Bergslag engages in many operations in addition to those of the ironworks, and its metal operations include not only the production of pig iron and steel but also semi-finished steel products. The Swedish Government owns the Norrbotten steel plant at Luleå which is also expanding its production.

In manufactured products such as steel plate, rails, rods, etc., the Sandviken Company leads the iron and steel industry, but is closely followed by Uddeholm, Lesjöfors, Domnarvets, and Fagersta.

Many of the larger companies in the machine shop industries own their mines and ironworks which they have converted or expanded to suit their specialty production. The Motala Machinery Company and the Nyköping Machinery Company have owned ironworks and rolling mills for many years. Other large companies which followed this example are ASEA (Allmänna Svenska Elektriska AB) and SKF (Svenska Kullagerfabriken--Swedish Ball Bearing Co.). Among the ASEA properties is the plant at Surahammar, where a silicon alloy plate for electrical use is made. SKF has expanded the steelworks at Hofors to manufacture special steel for ball bearings. Other large Swedish companies in the machine-shop field are the L. M. Ericsson Telephone Company, AB Separator, Atlas-Diesel, and AB Gasaccumulator.

Immediately after the war, Sweden commenced an extensive program to expand its iron and steel industry in order to increase its self-sufficiency in those commodities. In conjunction with that program and as an essential part of its recovery program, Sweden is also expanding its engineering industries for the ultimate purpose of increasing the ratio of exported manufactured products to raw materials. While Western countries will be able to absorb most of the increased exports from the engineering industries, the Swedes consider the USSR and its satellites as an essential long range market. Such exports to Eastern Europe are also an important bargaining element for Sweden in obtaining imports of considerable economic value.

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Non-Ferrous Metals

Sweden is deficient in non-ferrous mineral resources, many of which are essential in steel making. Due to a lack of solid fuel, domestic smelting of non-ferrous ores, in some instances is uneconomical, even though the mineral is domestically available. The general practice has been to import the metals, often exporting the ores in exchange, except in times of emergency such as existed during World War II. Both zinc and nickel were produced during the war, but none have been produced since 1945. Considerable quantities of zinc, lead, and copper concentrates are shipped to Belgium for smelting and then returned to Sweden in the form of metal. Small deposits of chromite exist in Sweden, but attempts to utilize this ore were also abandoned in the postwar period.

Non-ferrous metallic ores produced in Sweden in 1947 were treated at 19 concentration plants. The mines producing these ores, together with quantities, are shown in the following table:

<u>MINES PRODUCING</u>	<u>Class of Ores</u>	<u>To Smelters</u> (in metric tons)	<u>To Concentration Plants</u>
<u>Sodermanland:</u> Stera Utterviks- and Stromhult	Manganese	2,263	-
<u>Ostergotland:</u> Annebergsfaltet Baggetorp	Zinc Tungsten	- -	47,304 8,668
<u>Varmland:</u> Langban	Manganese	1,573	5,790
<u>Orebro:</u> Annebergs zink- gruvor Kaveltorpsfalt	Zinc Lead, zinc, and copper	- -	46,385 11,173
<u>Ljusnarsbergsgruv-</u> <u>falt</u> <u>Exsjobergsfalt</u>	Lead, zinc, and copper Tungsten	- -	22,619 89,544
<u>Vastmanland:</u> Bronas	Zinc and lead	-	800
<u>Kopparberg:</u> Falu gruva Skyttgruvefalt Kalvbacksfalt	Pyrites Zinc Zinc, lead, and pyrites	26,981 - -	92,884 11,906 11,738
<u>Lovasfalt</u> <u>Garpenbergs odal-</u> <u>falt</u> <u>Saxbergsfalt</u>	Lead and zinc Zinc, lead, and copper Zinc, lead, and copper	- - -	22,889 47,417 78,209

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<u>MINES PRODUCING</u>	<u>Class of Ores</u>	<u>To Smelters</u> (in metric tons)	<u>To Concentration Plants</u>
Stollbergsfält	Lead	-	25,748
Svartbergsfält	Lead	-	437
Gransgruvan	Lead, zinc, and pyrites	-	11,318
<u>Vasterbotten:</u>			
Bolidens gruvfält	Gold, copper Andalusite	18,037 644	186,600
Akullagruvfält	Copper, and pyrites	-	37,486
Monstraskfält	Pyrites	-	744
Adak-Lindskoldsfält	Copper	-	145,294
Rudtjebacksfält	Pyrites	-	3,800
Kristinebergsfält	Copper, zinc, and pyrites	545	412,234
Ravlidens gruvfält	Copper and zinc	-	46,754
<u>Norrbottn:</u>			
Laisvallfält	Lead	-	144,548
<hr/>			
All mines		50,043	1,512,289

In 1948 Sweden imported 34,672 metric tons of copper metal, one half of which came from Rhodesia. Substantial quantities were also imported from Belgium, the Belgian Congo, Finland, and Canada. Belgium and Mexico were the principal sources for imports of 13,674 tons of lead. Tin imports amounted to 1,424 tons and came principally from the Netherlands, Malaya, and the East Indies. Norway, Poland, and Belgium supplied most of the zinc import totalling 19,796 tons. Canada and the UK were practically the sole sources of aluminum amounting to 13,561 tons. Norway, the UK, and Canada supplied practically the entire import of nickel amounting to 1,960 tons. Twenty-six tons of magnesium were imported from the UK. The UK, Czechoslovakia, and Yugoslavia were the principal suppliers of antimony imports amounting to 372 tons. Eighty tons of cobalt were imported from Belgium. The Netherlands, Belgium, US, Norway, and Canada supplied roughly equal amounts of the 87 tons of imported cadmium. 4,041 tons of copper-alloy were imported, principally from the UK.

Non-ferrous metal imports in the form of plates and bands in the amount of 11,775 metric tons were supplied generally by the countries mentioned in the preceding paragraph and in roughly the same proportion as the metals furnished by those countries.

In addition to non-ferrous metals, 5,545 metric tons of ferro-alloy steel were imported, the two largest imports being 1,595 tons of manganese iron from the USSR and 1,867 tons of chromium iron from Norway. Approximately 600 tons of silicon iron were also imported from Norway, and 300 tons of chromium iron from the US.

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Imports of non-ferrous metallic ores were considerably reduced in 1948 (especially chromite ore), due principally to import restrictions. Chromite ore imports amounted to 26,695 metric tons. The principal suppliers in the order of importance were Turkey, the USSR, Yugoslavia, India, Rhodesia, and South Africa. The USSR was the principal source of manganese ore, supplying 12,093 metric tons out of a total of 15,204 tons imported. Wolfram ore amounting to 2,204 was imported from 17 countries, but China, Australia and Burma were the principal sources. Molybdenum ore imports amounted to 419 metric tons and came principally from the US and the Philippines.

Except for chromite ore, imports of non-ferrous metallic ores increased slightly during 1949. Especially noteworthy are increased shipments of manganese ore from the USSR. Another development has been the decision of the Swedish government to subsidize aluminum metal production in view of that metal's growing importance in Sweden's engineering industries. The estimated 1949 domestic requirements for aluminum were 14,000 metric tons and the expansion program is designed to increase the output of Sweden's lone producer, Svenska Aluminumkompaniet, from 4,000 to 8,000 metric tons. The latter company is now 50 per cent Swedish owned, and the remainder is owned by Aluminum Limited of Montreal. Aluminum oxide (the raw material for aluminum production) can be produced from domestic andalusite, as was done during the war, but this is normally too expensive. Presently, aluminum oxide is produced from bauxite imported principally from Yugoslavia and Greece. However, aluminum oxide can now be imported directly from Canada more cheaply than it can be produced domestically from either imported or domestic ores.

Fuel Requirements

Sweden is completely dependent on imports for its solid and liquid fuel requirements, but has developed extensive hydro-electric capacity. Requirements of the Swedish iron industry for solid fuels other than metallurgical coke (and domestically produced charcoal) are not significant. Fuel requirements of the steel industry also are low since steel is produced largely in electric furnaces utilizing hydro-electric power. Estimated requirements of metallurgical coke for the iron industry in 1949 amounted to roughly 500,000 metric tons, although the expansion program now in progress may increase this requirement. The program also provides for some conversion from the use of domestic charcoal to metallurgical coke.

In the immediate postwar period Sweden's iron industry was considerably dependent on Polish coal and coke imports but this has been reduced as other sources have become available. Total coke imports in 1948 amounted to 1,615,873 metric tons, although it is not known how much of this was metallurgical coke. 639,000 metric tons came from the US-UK Zones of Germany and the greater part of the remainder, in nearly equal amounts, came from the UK, Poland, and the Netherlands. In addition to coke, Sweden imported 819,120 metric tons of gas and coke coal, half of which came from the US and the remainder from the UK and Poland. Sweden has a coking capacity in excess of 500,000 tons per year.

In the postwar period there has been extensive conversion to the use of liquid fuels for power and heating. It is estimated at the present time that

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approximately 3 million tons of solid fuels (including metallurgical coke) would satisfy the requirements of all Swedish industries. Total solid fuel imports in 1948 amounted to 7,231,000 metric tons, approximately one-half of which came from Poland. 1949 imports from Poland have been reduced and increased quantities have been received from the UK, the US-UK Zones of Germany and from the US.

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CENTRAL INTELLIGENCE AGENCY

Project: IP-72

OFFICE OF REPORTS AND ESTIMATES

Project Proposal Memorandum

No State notification

Date: 28 Feb 52

To: Publications Division, Projects Planning

From: D/FE

Subject:

25X1C

Statement of Project:

Origin: Internal (K-993)

Problem: To provide information on Russian emigre' groups in China

Scope: Requester is particularly interested in
Identification of such groups
Identification of their leaders
Description of the political leanings and any political activity
of such groups

Graphics (if any): —

Form: Memo in final form: original + 2 cartoons

Draft due in D/Pub: earliest convenience

Dissemination deadline
(if any)

Responsible Division: D/FE

Internal Coordination: D/EE

Departmental Responsibilities: None

Classification to be no higher than: ~~Secret~~ Secret

Recommended Dissemination: Requester only

CONFIDENTIAL

27 February 1950

MEMORANDUM FOR: D/Pubs, ORE

25X1A

ATTENTION : [REDACTED]

SUBJECT : Russian Emigré Groups in China

REFERENCE : [REDACTED] 25X1A

1. It is requested that this office be furnished information concerning the identity and politics of the Russian emigré groups in China together with identification of the leaders.

25X1A 2. This memorandum confirms conversation between [REDACTED] on 24 February 1950.

[REDACTED] 25X1A

Acting Chief, Intelligence Support

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Note: The classification of this memorandum must be raised to conform to the classification of the draft it covers.

Date 27 March 1950
1610

MEMORANDUM FOR CHIEF, PUBLICATIONS DIVISION

SUBJECT: Transmission of Draft Report

ENCLOSURE: IP-72 "Russian Emigres in China"

(3 copies)

1. Enclosure is forwarded herewith for review and, if required, for formal coordination with the departmental intelligence organizations.

2. This draft report has been coordinated informally with the organizations checked below:

Within CIA:

D/GI	<input type="checkbox"/>	D/NO	<input type="checkbox"/>
D/In	<input type="checkbox"/>	D/LA	<input type="checkbox"/>
D/Tr	<input type="checkbox"/>	D/WE	<input type="checkbox"/>
D/EE	<input checked="" type="checkbox"/>	D/Ma	<input type="checkbox"/>
D/FE	<input type="checkbox"/>	D/EC	<input type="checkbox"/>
D/NE	<input type="checkbox"/>	Other	<input type="checkbox"/>

Outside CIA:

State (OIR)	<input type="checkbox"/>
Army (ID/CSUSA)	<input type="checkbox"/>
Navy (ONI)	<input type="checkbox"/>
Air (AID)	<input type="checkbox"/>
Other	<input type="checkbox"/>

3. Maps and/or Graphics to be included in this report and arrangements completed for their production by the Map Division or the Presentation Staff are as follows:

None

4. Comments:

The specific questions covered in the attached report were developed in consultation with OPC [REDACTED] 9 March 1950. 25X1A

[REDACTED] 25X1A

D/FE
Division

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IP - 72
24 March 1950

RUSSIAN EMIGRES IN CHINA*

1. Numbers and Locations

There are believed to be upwards of 65,000 Russian emigres in Manchuria, Sinkiang, and China Proper, of whom perhaps 60,000 are in possession of quasi-genuine Soviet citizenship, obtained for the most part after January 1946.

(a) There are probably 35,000 or more Russian emigres in Manchuria; this figure does not include Soviet officials, Soviet forces in the Port Arthur naval base area, or Soviet advisors and technicians attached to the railways and to other Northeast enterprises. The largest colony of Russian emigres in Manchuria is in the city of Harbin, where the Russian community, which is almost solidly Soviet, is estimated at 30,000. Another 5,000 or more Russians, almost all of whom are Soviet citizens, reside in Mukden, Dairen, Changchun, Tsitsihar, Kirin and other cities. It is doubtful that there are more than 1,000 'White' Russians--persons of Russian descent not claiming Soviet citizenship--in all of Manchuria; it is further doubtful that any Russian Emigrants' Associations (REA) are functioning in Manchuria, or that any 'White' Russian individual can still be regarded as an active 'leader' of emigrant activities. There are Soviet Consulates-General in Harbin and Dairen, and probably in Mukden, as well as smaller offices in other Manchurian cities; the Russian communities in the area are certainly under the close surveillance, and probably under the tight control, of Soviet officials.

*NOTE: This report is based largely on the knowledge of a single analyst whose responsibilities as an ONI officer in the field during the period 1945 - 1948 included special cognizance of Russian activities in China. It is not believed that the departmental records, which were fairly complete and accurate as of early 1948, have been kept up to date. It is believed that the most likely source of precise current data would be OSO which presumably has a continuing operational interest in the subject.

Manchuria appears to be effectively sealed off from the West, and, while contact with surviving 'White' Russians could perhaps be made, it is most improbable that such persons would be able to engage in any significant anti-Soviet activity in Manchuria.

(b) There are perhaps 20,000 Russians in Sinkiang, excluding Soviet officials and genuine Soviet citizens from the USSR. As of spring 1947, it is estimated that more than 15,000 Russian emigres in Sinkiang were in possession of Soviet passports, in addition to some thousands of non-Russian natives to whom the USSR had offered citizenship. Of the possibly 15-17,000 Soviet citizens of Russian descent in Sinkiang in 1947, about 10,000 are believed to have been concentrated in Ining (Ili), and the remainder distributed between the cities of Tihua, Kashgar, T'a-ch'eng, Cheng-hua, Yarkand and Hami. Of the possibly 3-5,000 Russian emigres in Sinkiang who regarded themselves as 'White' Russians in 1947, several hundred persons made their way out of the province in 1947-48, and most of those who remained have probably become Soviet citizens. As is believed to be the case in Manchuria, it is doubtful that in Sinkiang there are more than 1,000 remaining 'White' Russians, or that any of their associations and leaders are still active. The Soviet consular establishments in Tihua, Kashgar, T'a-ch'eng, Cheng-hua and Ining (Ili) are presumed to have, as in Manchuria, effective control over Russian communities throughout the province. Because Sinkiang appears to be even more tightly sealed off from the West than is Manchuria, there is even less prospect of significant anti-Soviet activity by 'White' Russians in the province.

(c) There are possibly 10,000 Russians in China Proper, excluding the Soviet advisors and technicians recently reported to be streaming into Communist China, and excluding Soviet diplomatic personnel. The largest Russian

community in China Proper is in Shanghai, with perhaps 5,000 Russians remaining, most of whom are Soviet citizens of the type offered citizenship after January 1946. The next largest is in Tientsin, where possibly 3,000 Russians still reside, followed by Peiping and Tsingtao with perhaps 700 each, with another 500 or so spread among the cities of Kalgan, Lanchow, Hankow, Nanking, Canton and other points. Out of this figure (an approximation) of 10,000, it does not seem likely that more than 2,000 are still 'White' Russians; with the possible exception of the REA in Shanghai, it is believed that no emigre associations are still functioning, and that few or no 'White' Russian leaders are still directing emigrant affairs. Although China Proper is not yet sealed off from the West, it appears reasonable to judge that the remaining 'White' Russians in China Proper are adjusting themselves to the prospect (or the imminence) of Soviet control. With the possible exception of the activity of 'White' Russian agents of Chinese and Western intelligence agencies (a source of irritation to the Soviets), no significant amount of anti-Soviet activities in China has been reported in the past two years.

2. Loyalty of Soviet Citizens

It is not believed that any defection has occurred on the part of Soviet officials in China or of the very few non-official genuine Soviet citizens in China. In the period 1945-48, when relations between US and USSR diplomatic personnel in China were officially amiable, and contact was frequent, certain Soviet officials (usually in the lower grades) were believed to be possible potential defectors; however, none of these persons actually attempted to defect, and every one of them who was so suspected had been sent back to the USSR by the end of 1947. In 1948, one Soviet Army enlisted man defected in North Korea and sought sanctuary in China; it is believed that this man was

turned over to the Soviet authorities by the Chinese Nationalists, in the

interest of avoiding incidents. The loyalty of the quasi-Soviet citizens in China--those who had obtained citizenship after January 1946, whose passports were not valid for entry into the USSR, and who were quite distinct in Soviet eyes from genuine Soviet citizens coming from the USSR--was and is highly suspect. The Soviet officials who dealt with emigre affairs in China were well aware that the majority of applicants for Soviet citizenship in 1946 were less interested in Soviet citizenship per se than in ridding themselves of their stateless and vulnerable status. Soviet officials apparently felt that they would be successful in (a) organizing and indoctrinating these of its new citizens whose services would be valuable in China, and (b) repatriating to the USSR those whose services were desired in the USSR or whose presence was not desired in China. The Soviet estimate of the situation was approximately correct; i.e., a fairly high proportion of the new citizens became fairly presentable representatives of the USSR and were useful to the Soviet intelligence services, while several thousands of persons in the second category (desirable in the USSR or undesirable in China) were repatriated from 1946 to 1948. However, several hundred of these 'ersatz' citizens, in cities held by the Chinese Nationalists, repudiated their Soviet citizenship in 1947-48, returning their passports to Soviet consular offices and publishing notices of their return to stateless status. (The USSR continued to view them as Soviet citizens.) In addition, it seems likely that many of the hundreds of 'ersatz' Soviet citizens who emigrated to non-Communist countries, apparently with Soviet approval, subsequently repudiated their Soviet citizenship. Moreover, Soviet officials in China seemed to believe, and most Western observers agreed, that the majority of 'ersatz' Soviet citizens in China were not politically reliable, and that, even though they faithfully followed the Soviet line in public, they would be inclined to 'defect' to the West whenever

escape from Soviet authority. A great many of these 'ersatz' citizens maintained friendly relations with Western representatives, and voluntarily supplied information on Soviet affairs in China. A few 'ersatz' citizens were actually in the employ of Western intelligence services. It is believed that the identity of most of these 'ersatz' citizens, who supplied information on either a voluntary or paid basis, is known to Soviet counter-intelligence, and that appropriate action has been or will be taken. In any event, Soviet citizens in China are expected to become increasingly cautious in their relations with Westerners.

3. Evacuation of 'White' Russians

There is not at hand precise information on the numbers of 'White' Russians involved in the evacuation program of the International Refugee Organization or on the numbers of 'Whites' remaining in China after the completion of that program. However, it is roughly estimated that, of the 7-8,000 'White' Russians believed to be in China in autumn 1948, perhaps as many as 5,000 succeeded in leaving China in the next several months, primarily through the good offices of IRO. At the close of the IRO program in spring 1949, after the Communist occupation of Shanghai, there may have been 1-2,000 'Whites' remaining in Shanghai, up to 1,000 in Tientsin, up to 300 in Tsingtao, up to 300 in Peiping, and perhaps a few hundred more in other cities. However, it seems probable that most of those 'Whites' have since applied for Soviet citizenship; it is estimated that less than 2000 Russian emigres in China now regard themselves as 'White' Russians, and their number is expected steadily to decline, inasmuch as the Chinese Communist authorities presumably will cooperate with Soviet officials in putting pressure on the remaining 'Whites' to accept Soviet citizenship and Soviet authority.

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4. Occupations and Activities of 'White' Russians

'White' Russians in China made and presumably still make their livings in the same legitimate and illegitimate fashions as their 'ersatz' Soviet fellows. As a rule, however, the more prosperous members of any given Russian community in China tended to become Soviet citizens after January 1946. It was the impression of most Western observers that the rank-and-file of 'White' Russians in China, as distinct from the relatively few wealthy 'Whites', were obliged to devote the greater part of their energies to the struggle to make a living for themselves and their families. Many of them devoted a considerable part of their free time to community enterprises, most of which, in turn, were concerned with caring for ill and indigent members of the 'White' community. With the possible exception of the Russian Emigrants' Association of Shanghai, led by Col. G. K. Bologov, none of the REA's, after 1946, had sufficient resources in personnel or funds to conduct a significant anti-Soviet effort; and even in Shanghai the 'White' Russian newspaper was forced to suspend publication through lack of support. In Shanghai, and occasionally in other cities, the local REA would periodically stage 'White' Russian public spectacles, in which 'White' leaders would speak of the solidarity of the 'White' community, their loyalty to the Orthodox Church, their determination to struggle with the Soviets 'to the last', and so on. Such activity was not of great importance, except perhaps to keep up the morale of 'White' communities. It is known that Soviet officials in China were not greatly disturbed by such activity on the part of the 'Whites', and appeared content to take note of the 'White' leaders for later retaliation.

5. Clandestine Activities of 'White' Russians

A number of 'White' Russians were suspected of being, and some undoubtedly were in the employ of the USSR, reporting to Soviet intelligence on the activity of other intelligence services, various US and Chinese offices and

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Approved For Release 2000/04/17 : CIA-RDP79T01049A000100080001-8

individuals, and on other 'White' Russian personalities. A small number of ostensibly 'White' Russians--but actually Soviet--were perhaps included, (stationed by the USSR) in the thousands of 'White' Russians evacuated by IRO. A few of the alleged 'Whites' in the employ of US offices--as guards, drivers, laborers, engineers, etc.--were probably Soviet citizens in fact. Except for their intelligence functions, the clandestine activities of 'White' Russians on behalf of the USSR did not appear to be widespread; at least in China Proper, there was no confirmed reports of murder, abduction and sabotage undertaken by 'White' Russians to further the interests of the USSR. So far as Western observers could judge, the USSR did not rely heavily on clandestine activities by 'White' Russians.

6. 'White' Russian Leaders Remaining in China

This office has received no information on this subject for the past year. The 'White' Russian leaders of the 1945-48 period presumably were aware that they would suffer at Soviet hands under a pro-Soviet Chinese Communist administration, and therefore made every effort to depart China prior to Communist occupation of the cities in which their 'White' communities were located. In any event, it is very doubtful that any of the 'White' Russian leaders of the past, all of whom are well known to the USSR, are still operating as 'leaders'.

7. Contacts Between 'White' Russian Groups

As of 1948, it is known that 'White' Russian groups in China had for many years maintained contact with each other and with similar groups in the US, in Central and South America, in Commonwealth nations, and in various countries of Western Europe and Asia. However, fragmentary information from 'White' Russians outside China, received in the past year, indicates that they are encountering difficulties in communicating by mail with their acquaintances in China; cable service, they have reported, has been somewhat more reliable, but does not

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permit discussion of confidential matters. It seems probable that the Chinese Communist authorities, with Soviet assistance, will institute a system of surveillance and censorship of the mail sent and received by 'White' Russians in China. Apart from whatever actual contact there may be, between 'White' Russian groups in China and abroad, it is known that 'White' Russian groups and individuals in China have frequently claimed to maintain contacts with other groups all over the world (including points in the USSR itself) which, upon investigation, proved to be tenuous or non-existent. The leading 'White' Russian liaison body in China, for many years, was the Bratstvo Russkoy Pravdy (brotherhood of Russian Truth), headed for a time by General P. G. Burlin, who is believed to be in Taipei now. Investigation of the BRP in 1947, assisted by Gen. Burlin himself, established that the organization was no longer in actual operation, and that its alleged accomplishments (at that time) were fabricated by 'White' Russian confidence-men in Shanghai who hoped to enlist Western financial support for the activities of a defunct body.

8. Treatment of 'White' Russians

Fragmentary information to date, in regard to Chinese Communist treatment of 'White' Russians, indicates that severe discrimination against the latter has not yet been practiced, although several sources report that preferential treatment is accorded Soviet citizens. However, effective coordination of Soviet and Chinese Communist policy is to be expected and will probably result in: the closing down of emigrant organizations throughout China; the transfer of their property to Soviet control; pressure upon the 'White' Russians to accept Soviet citizenship (except, perhaps, a few persons who are too old or too unwell to be of importance to the USSR); and the repatriation to the USSR of those emigres who have been found objectionable to the USSR. Although large numbers of 'White' Russians were permitted to leave Shanghai for various

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non-Communist countries after the Communist occupation of Shanghai, it is not likely that the majority of those remaining will be allowed to leave.

9. Repatriation of 'White' Russians

The USSR is believed to have forcibly repatriated 6-8,000 'White' Russians from Manchuria in 1945-46. The only known public and voluntary repatriation program occurred in 1947, involving perhaps 1,000 Soviet citizens in Sinkiang and possibly up to 5,000 in China Proper. Another general repatriation was planned for 1948, but, as a result of discouraging letters (or no letters) from previous repatriates, was indefinitely postponed. Another repatriation, both of 'ersatz' Soviet citizens and of 'White' Russians who refuse to accept such citizenship, is expected within the next year, although the majority of the 60,000 'ersatz' Soviet citizens in China will probably be permitted to remain.

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Approved For Release 2000/04/17 : CIA-RDP79T01049A000100080001-8

Note: The classification of this memorandum must be raised to conform to the classification of the draft it covers.

Date 17 April 1950

MEMORANDUM FOR CHIEF, PUBLICATIONS DIVISION

SUBJECT: Transmission of Draft Report

ENCLOSURE: IP - 73 "Soviet-Chinese Treaty"

(3 copies)

1. Enclosure is forwarded herewith for review and, if required, for formal coordination with the departmental intelligence organizations.

2. This draft report has been coordinated informally with the organizations checked below:

Within CIA:

D/GI	<input type="checkbox"/>	D/NO	<input type="checkbox"/>
D/In	<input type="checkbox"/>	D/LA	<input type="checkbox"/>
D/Tr	<input type="checkbox"/>	D/WE	<input type="checkbox"/>
D/EE	X	D/In	<input type="checkbox"/>
D/FE	<input type="checkbox"/>	D/EC	<input type="checkbox"/>
D/NE	<input type="checkbox"/>	Other	<input type="checkbox"/>

Outside CIA:

State (OIR)	<input type="checkbox"/>
Army (ID/CSUSA)	<input type="checkbox"/>
Navy (ONI)	<input type="checkbox"/>
Air (AID)	<input type="checkbox"/>
Other	<input type="checkbox"/>

3. Maps and/or Graphics to be included in this report and arrangements completed for their production by the Map Division or the Presentation Staff are as follows:

None

4. Comments:

Conclusions contained in the attached report are largely based on speculation, since field collection efforts covering the subjects treated have been unavailing..

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Division, D/FE

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I. MIGRATION OF CHINESE LABOR FORCE TO USSR

Recent unsubstantiated reports mention the employment of a Chinese labor force in USSR. Numbers cited have generally run in the magnitude of the hundred thousands and larger. The conclusion of ORE, on the basis of the data cited in the following sections, is that there has been no significant migration of Chinese workers to the USSR. It is believed that, for reasons of political expediency, the Chinese Communists cannot espouse large-scale migration to the USSR at this time. Large-scale migration, should it take place in the future, would be readily evident to intelligence collection agencies. Forced recruitment on a large-scale could hardly be concealed, and voluntary recruitment would require public appeals for workers through the usual propaganda media.

1. Information from China

a. Reports: Neither intelligence dispatches from Communist China, nor reports in the Chinese Communist press, nor radio broadcasts from Communist China have made mention of Chinese laborers being sent to the USSR. In an assessment of the possibility that large numbers of Chinese have been sent to work in the USSR, the absence of Chinese reports on the subject is of some significance, for the reason that voluntary recruitment of Chinese on any substantial scale would require propagandistic appeals in the press and on the radio. The possibility exists that resort is being made to forced recruitment. It would be difficult, however, so long as families, relatives, and friends of impressed laborers remain behind, to keep the fact of forced recruitment on any large scale hidden in most parts of China.

In Manchuria, however, the Communists may have succeeded in secretly effecting some forced recruitment of labor. With US intelligence gathering activities

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severely restricted, it is quite possible that such forced recruitment could occur undetected by the US.

b. Speculation: The following considerations give some weak support to speculation that forced recruitment of Chinese laborers may be proceeding on a limited scale.

(1) The Communists have publicly encouraged the evacuation of large numbers of urban residents from Shanghai and other cities. Although, for the most part, the Communists have preferred to rely on propaganda to encourage voluntary emigration from the cities, the Chinese press does indicate that some force has been used to move "loafers" and other surplus elements of the population to rural areas. Some of these persons could have been diverted from their ostensible destinations and shipped to the USSR as forced labor. However, there is no factual support for this line of speculation.

(2) It is impossible to account for hundreds of thousands of former Nationalist soldiers who defected to or were taken prisoner by the Communists. Therefore, it may be speculated that some of these ex-Nationalist soldiers, especially those taken in Manchuria, may have been made available to the USSR as a labor force. This is believed unlikely, however, since it has not been the subject of any reports from the field, either in Communist or Nationalist China. Furthermore it has not been mentioned even in Nationalist propaganda which has continually attempted to exploit any plausible line to demonstrate USSR-Chinese Communist collusion.

2. Intelligence from areas outside China

a. Reports:

(1) C. L. Sulzberger, correspondent for the New York Times writing from Paris, reported that the Soviets have requested that 500,000 Chinese laborers

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-3-

be made available to the USSR and that 300,000 were already en route from Manchuria (New York Times, 29 January 1950). Other American press correspondents have repeated the report, in some cases citing even larger numbers.

Evaluation: The press dispatches are based on information from unrevealed sources. Until corroborated in some measure by other channels of intelligence, these dispatches can be received only with the usual measure of reserve accorded newspaper reports.

(2) In the autumn of 1949, Communist China and the USSR reportedly signed a secret agreement, referred to as the "Moscow Pact". This purported agreement, the source of which was the Tokyo correspondent of the Chinese Nationalist Central News Service, provided that:

"In the event hostilities should break out in Europe involving the USSR, the Chinese Communist will dispatch one million laborers to assist the USSR war effort."

Evaluation: There is no confirmation of the report that a "Moscow Pact" was in fact signed by China and the USSR. In any event, it is to be observed that the purported Pact deals with a commitment to furnish labor in the event of hostilities involving the USSR. No mention is made of a commitment to furnish laborers under present circumstances.

(3) According to a report in March 1950 from the US Embassy in Warsaw, the British embassy has received information that preparations were being made to receive large numbers of Chinese laborers. In this connection, the Ostdeutschen Zeitung of Bonn, a weekly publication circulating among East German refugees, reported on 17 November 1949 that some Chinese workers had arrived in Poland to work in the coal mines of Upper Silesia and that additional numbers were expected in the near future.

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Evaluation: These reports, taken at their face value, do not indicate that many Chinese workers have arrived in Poland as yet, and are rather vague regarding the extent of possible future Chinese immigrations. They lack further confirmation, and therefore can be evaluated no higher than "possibly true".

b. Speculation: The USSR as a whole has an adequate supply of unskilled labor. In areas within the USSR which lack an adequate local supply of such labor, Chinese labor might feasibly be utilized on projects requiring a low degree of skill. The cost of transport, maintenance, and the additional incentives which would be required to induce free Chinese labor to migrate to those regions would, however, be as much as, or perhaps even more than would be required to recruit free Soviet labor, relative to the productivity of each group. Soviet slave labor would be less costly and more readily mobilized than either of the two groups mentioned above, or Chinese slave labor.

3. Conclusion

It is most probable that the recruitment of Chinese laborers for work in the USSR, if it is proceeding at all, is going on only on a very small scale. The political impracticability, from the Chinese Communist point of view, of sending large numbers of Chinese to the USSR is indicated by the fact that any agreements on the subject have been secret rather than announced. The Chinese Communist do not, at this time, consider it politically expedient to espouse a program of sending Chinese laborers to the USSR. Without such public espousal no large-scale voluntary worker migration from China is possible. Whatever migration has occurred, voluntary or forced, must be quite small in scale--small enough, in fact, to have escaped the notice of observers in China, both native and foreign. The number, if there has been any worker emigration at all, can be no more than a few thousand rather than the hundred thousands or millions sometimes cited.

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Although there has been no evidence of significant worker migration to date from China to the USSR, China may be committed to supply a labor force of several hundred thousand in the event of hostilities involving the USSR. Such a contribution would be similar to the assistance rendered by China to its allies, during World War I, when China supplied close to 200,000 laborers for service in France.

The possibility also exists that China may be committed to supply some laborers to the USSR in the next few years even though the USSR is not involved in hostilities. However, in view of the fact that the USSR in general has an adequate supply of unskilled labor, it is not likely that such a labor force would be large. If and when a recruitment program on a substantial scale should be instituted, the propaganda appeals needed to assure its success will preclude any effective efforts to keep it a secret.

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II. SOVIET USE OF CHINESE WARM WATER PORTS

The USSR, in addition to securing, at least through 1952, its special privileges in the warm water ports of Dairen and Port Arthur according to the published terms of the recently signed treaty, may also be accorded in secret articles, the right of free access to other Chinese warm water ports. Unconfirmed reports, largely from Chinese Nationalist sources, indicate current USSR naval activity in Chinese waters, and press and other speculation on the secret clauses of the treaty has concluded that this activity is likely to be extended.

1. Information concerning Soviet Naval Activity in Chinese Waters

On the whole, reports of Soviet naval activity, excepting that in the Port Arthur Naval Base Area, are of doubtful accuracy and stem for the most part from prejudiced Nationalist sources. It is believed that a small portion of the Soviet Far Eastern Fleet wintered at Port Arthur. However, reports that Soviet submarines or other vessels either are based in other Chinese ports, or that they are actively supporting the operations of the Chinese Communists are lacking in confirmation and therefore considered doubtful.

a.) In January, Admiral Kwei of the Chinese Nationalist navy told the US ANA in Taipei that he was "certain" Tsingtao was

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being used as an operational base for Soviet submarines and other ships of unknown numbers (Navy telegram Taipei 131830).

Comment: Although Soviet submarines and other vessels may have visited Tsingtao, it is doubtful that they are based in that port. The crews of US commercial vessels which have visited Tsingtao subsequent to the date of this report have not observed or learned of any Soviet activity there.

b.) A Nationalist source reports secret Soviet submarine operations in connection with the forthcoming campaign against Hainan, (ONI OP-322y2f/cak, 6 Jan.). According to this source, these submarines are 12 in number and are based, not only at Lairen and Port Arthur, but also at Tsingtao and Mawei (near Foochow).

Comment: This report lacks confirmation, and also is suspected of being no more than Nationalist propaganda.

c.) According to a report obtained via the Italian consul in Tientsin, Soviet Vice-Admiral Milosky is to establish headquarters at Chefoo or Tsingtao, and have responsibility for the coastal defense of Shantung and Hopei provinces (State Telegram Tientsin 82, 23 Jan.).

Comment: This report is totally lacking in confirmation and is believed false. It was accompanied by a number of other highly doubtful rumors. Also, the same source, in June-July 1949, provided a mass of false information on similar subjects.

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d.) The Chinese Nationalist Air Force A-2 reported in February that 16,000 fishermen have been removed from the Shanghai area for training in the operation of captured vessels under the Soviets in Tsingtao (State Telegram Taipei unnumbered, 27 Feb.).

Comment: This report may have some basis in fact, since it is consistent with a number of other reports concerning Soviet advisory and technical assistance to the Chinese Communists in various fields and localities. However, no confirmation is available regarding this particular report, which gives no information regarding possible USSR base facilities or special privileges. It is evaluated as possibly true, with the qualification that the numbers of Chinese are believed to be greatly exaggerated.

e.) Admiral Kwei, in March, informed the US ANA, in Taipei, that the Soviets were helping the Chinese Communists in the rehabilitation of ex-US amphibious trucks and tanks at Little Harbor, Tsingtao.

Comment: Although there is no confirmation, this is evaluated possibly true, for reasons indicated in paragraph "d" above.

2. Press Speculation concerning Chinese Concessions on Warm Water Ports.

a. New York Times, 28 Jan. (Paris dateline): Correspondent Sulzberger, quoting unidentified informants, states that the Soviets were demanding in pre-treaty negotiations, full Soviet control over 7 Chinese ports: Chin-huangtao, Li Fu-chen (Li was one of the Chinese negotiators, the port might be Haichow, Shanhaikuan, Hulutao, etc.), Chefoo, Tsingtao, Weihaiwei, Dairen, and Port Arthur. Sulzberger added that the Chinese had made counter-demands and that, as far as his information went, no conclusions had been reached.

Comment: Although this report has not been confirmed it is considered possible that the Soviets did make such demands. There have been no reliable reports, however, that the Chinese made any concessions of such a far-reaching nature.

b. Washington Daily News, 6 Mar. (Paris dateline): A Scripps-Howard correspondent, on the basis of information from a "well-informed satellite diplomat", reported that the Treaty had a secret annex, establishing a joint "Russo-Chinese Pacific Admiralty" to have full control of all Sino-Soviet naval operations in the Pacific. According to this story, the Admiralty, was to have its headquarters in Vladivostok, and would exercise jurisdiction over all Chinese ports.

Comment: In the absence of confirming information from more reliable sources, this report can be accepted only with great reserve.

3. Conclusions

The published terms of the Sino-Soviet treaty insure the continuation of the USSR special rights in Port Arthur and Dairen, at least through 1952. It is considered likely that secret agreements to that treaty extend Soviet privileges to ports in China proper. There is a lack of reliable reports on present Soviet activity in warm water ports of China Proper, and only specu-

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Approved For Release 2000/04/17 : CIA-RDP79T01049A000100080001-8
As to the content of probable Sino-Soviet secret agreements.

It is believed likely that the USSR has been given assurances that it will be accorded free access to Chinese ports for its Pacific Fleet, and the right to use certain shore facilities. It is believed further that the USSR may acquire special naval rights at Tsingtao, supplementing its assured position in Port Arthur. The latter conclusion derives some support from the frequent references to Tsingtao in the reports cited above, but perhaps more support from Russian historic interest in Tsingtao as well as its excellent naval anchorage and facilities. However, it is doubtful that the USSR will attempt to establish naval bases at other Chinese ports. So long as China is under a Communist regime, the USSR presumably will have free access to Chinese ports, with or without special rights. In time of war such ports in friendly hands could offer safe-havens to Soviet vessels. If they were openly identified as USSR naval bases, they would be subject to attack. In time of peace, the establishment and development of Soviet naval bases would certainly stimulate Chinese antagonism toward the USSR, and would be difficult to defend propagandawise.

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CENTRAL INTELLIGENCE AGENCY

25X1A

Project: 1P-74

OFFICE OF REPORTS AND ESTIMATES

Project Proposal Memorandum

No Skat notif.

Date: 6 Mar 50

To: Publications Division, Projects Planning

From: D/NE

Subject: Palestine immigrants

Statement of Project:

Origin: Internal (K-1164)

Problem: To provide specified information on Jewish migration to

Scope: Palestine

Information is as specified in attached memorandum

Graphics (if any): —

Form: Memorandum (Orig + 2)

Draft due in D/Pub: Earliest practicable date

Responsible Division: D/NE

Dissemination deadline
(if any)

Internal Coordination: D/EE, D/No, D/WE as may be necessary

Departmental Responsibilities: None

Classification to be no higher than: Secret

Recommended Dissemination: Requester only

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43609

1 March 1950

MEMORANDUM FOR: D/Pub, ORE

25X1A

ATTENTION :

SUBJECT :

Request for Information

1. It is requested this office be furnished the following information:

a. Have the refugees from the various Iron Curtain countries maintained any kind of a distinct existence or are they indistinguishably merged in the larger Jewish community?

b. How many Jewish refugees are there in Israel from each of the following countries: Poland, Czechoslovakia, Hungary, and Rumania?

c. How many Jews are there at present remaining in each of the above countries?

d. What Jewish groups in England, France, and West Germany are engaged in charitable or similar activities in Israel? Are any of these groups thought to be Communist penetrated?

2. It is requested this information be furnished by 7 March or as soon thereafter as practicable.

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Acting Chief, Intelligence Support

Reference:

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25X1A

13 March 1950

Near East/Africa Division

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who have recently arrived *in general*
A. The refugees from the various Iron Curtain countries are maintaining a distinct existence in Israel, and are not merged in the larger Jewish community. However, physical factors, not free choice, have driven the jobless immigrants to cluster together in the vacated Arab towns of Ramle, Jaffa and Lydda for an existence apart from the established life in Israel.

B. Of the 360,000 immigrants who have entered Israel since May 15, 1948, approximately 74,000 have come from Poland, 23,000 from Czechoslovakia, 13,000 from Hungary and 30,000 from Rumania. *

C. The number of Jews remaining in each of the following countries is estimated at 80,000 in Poland, 15,000 in Czechoslovakia, 130,000 in Hungary and 350,000 in Rumania. *

*These figures are only rough estimates, based on incomplete and often inconsistent information. Most of the information is from Jewish sources, who have been known to inflate or deflate figures for political expediency. Furthermore, Israeli government statistics rarely indicate, for instance, whether an immigrant, listed as a Rumanian Jew is of Rumanian origin or whether he is a Polish Jew who embarked for Israel from a Rumanian port. To the best of our knowledge these figures refer to country of origin rather than port of embarkation. Taking into consideration available data on the number of Jews originally living in these countries plus the emigration policy of the governments concerned, we have compounded what we consider to be the most plausible estimates in order to present an approximate picture of Satellite emigration to Israel.

D. We have information on two alleged communist front organizations operating in France as late as April 1949.

1. Comité d'Unité de la Défense Juive: An organization not registered with authorities, which is operating clandestinely. Its headquarters are at 110 Cours Vieutaud, Marseille, and it is directed by René David Cohen. The offices are frequently visited by former members of the Stern gang and the organization is definitely pro-communist. Its principal work is aiding the Jewish communists.

2. Union Juive pour la Résistance et l'Entr'Aide (UJRE): A French-Jewish association with national headquarters in Paris. The Marseille branch is active and counts 500-600 paid-up memberships in the Bouches-du-Rhône.

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Rhone. The President is Leonce Cremieux, 3 Place de la Bourse, Marseille, and the Secretary-General is Pierre Cohen, 32 Boulevard Garibaldi, Marseille. This association follows the Communist Party line and several of its members belong to the Stern Gang. Under the protection of the association is the so-called religious society, "Hapoel Hamisrai", whose headquarters, which have not been registered with the local authorities, are at 66 Rue Sainte. This latter organization is directed by Samuel Steinberg, a naturalized Frenchman, who was born in Poland.

3. Additional organizations operating in France, about which we have no evidence of communist infiltration are : The French branch of the American Joint Distribution Committee; and the Youth Aliyah, which has stepped up its activities in France.

The following Jewish organizations operating in Britain, with which we are familiar, to our knowledge have not been communist penetrated:

1. The Jewish National Fund
2. Mizrachi Federation of Great Britain and Ireland
3. The Palestine Land Development Company, Ltd.
4. United Palestine Appeal
5. Woman's International Zionist Organization

For additional information on the above groups plus a more extensive list of organizations operating in England see The Palestine Year Book; Vol. 2, published by the Zionist Organization of America pp. 572-577. All the organizations listed above and in the book have been checked and do not appear on any list of communist front groups in the UK.

With reference to Jewish groups operating in Western Germany, we have checked with Western Europe Division and there is no information available.

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Copy to D/EC
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CENTRAL INTELLIGENCE AGENCY

OFFICE OF REPORTS AND ESTIMATES

Project Proposal Memorandum

Project: IR-75

file
No State notif.

Date: 6 Mar 50

To: Publications Division, Projects Planning

From: X D/EC

Subject: Control of exports to China and North Korea

Statement of Project:

Origin: Internal (K-1200)

Problem: To provide all available information on proposed system of control of exports to China & N. Korea by US, UK, France, Nether-

Scope: lands.

Reference is made to para. H of State cable London # 977 of 20 Feb 1950.

Graphics (if any): -

Form: Memorandum (orig. & 2)

Draft due in D/Pub: earliest convenience

Responsible Division: D/EC

Dissemination deadline
(if any)

Internal Coordination: D/FE, D/NO, D/WE

Departmental Responsibilities: None

Classification to be no higher than: Secret

Recommended Dissemination: Requester only

Approved For Release 2000/04/17 : CIA-RDP79T01049A000100080001-8
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Approved For Release 2000/04/17 : CIA-RDP79T01049A000100080001-8

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Copy to D/FE

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D/ORE

File

CENTRAL INTELLIGENCE AGENCY

OFFICE OF REPORTS AND ESTIMATES

Project Initiation Memorandum

Project: IP-75

Date: 21 March 50

To: D/FE

From: Publications Division, Projects Planning

Subject: Information on North Korea

Statement of Project:

Origin: Internal (K-1242)

Problem: To provide information on North Korea supplementary to that contained in ORE 18-50

Scope:

It has been agreed between requester and D/FE that such of requester's interest as will not have been met in ORE 18-50 will be met in IP-75, appearing at about the same time.

Graphics (if any):

Form: Memorandum (orig + 2)

Draft due in D/Pub: about 15 April 50

Responsible Division: D/FE

Dissemination deadline
(if any)

Internal Coordination: D/FE

Departmental Responsibility: None

Classification to be, no higher than: Secret

Recommended Dissemination: Requester only

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CONFIDENTIAL

17 March 1950

MEMORANDUM FOR: D/Pub, ORE

25X1A

ATTENTION :

SUBJECT :

Request for Information re North Korea

1. This is to confirm our telephone conversation concerning our request for economic information re North Korea. We understand that your Branch is preparing a study of the area and will attempt to incorporate information in satisfaction of our requirements insofar as possible.

2. In case it is not possible for our requirements to be met completely, it is requested that a supplementary study be made to cover our request and that it be completed by 15 April 1950.

25X1A

Acting Chief, Intelligence Support

25X1A

REFERENCE:

CONFIDENTIAL

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Note: The classification of this memorandum must be raised to conform to the classification of the draft it covers

Date 7 August 1950

MEMORANDUM FOR CHIEF, PRESENTATIONS DIVISION

SUBJECT: Transmission of Draft Report

ENCLOSURE: IP-75: Information on Northern Korea

(2 copies)

1. Enclosure is forwarded herewith for review and, if required, for formal coordination with the departmental intelligence organizations.

2. This draft report has been coordinated informally with the organizations checked below:

Within CIA:

D/OI	<input type="checkbox"/>	D/NO	<input type="checkbox"/>
D/ID	<input type="checkbox"/>	D/LA	<input type="checkbox"/>
D/TV	<input type="checkbox"/>	D/NE	<input type="checkbox"/>
D/EE	<input type="checkbox"/>	D/Me	<input type="checkbox"/>
D/FE	<input type="checkbox"/>	D/EC	<input type="checkbox"/>
D/NE	<input type="checkbox"/>	Other	<input type="checkbox"/>

Outside CIA:

State (OIR)	<input type="checkbox"/>
Army (AD/GSUSA)	<input type="checkbox"/>
Navy (ONI)	<input type="checkbox"/>
Air (AID)	<input type="checkbox"/>
Other	<input type="checkbox"/>

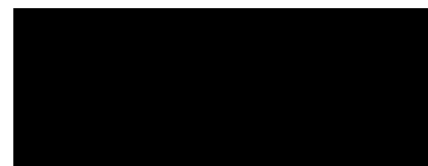
3. Maps and/or Graphics to be included in this report and arrangements completed for their production by the Map Division or the Presentation Staff are as follows:

Chart in original only included

4. Comments:

Please attach copies of IM-311 before forwarding to OPC.

25X1A



D/FE

Division

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7 August 1950

IP 75

SUBJECT: Information on northern Korea. *

- A. Imports from non-Communist Sources.
- B. Exports to non-Communist areas.
- C. Currency. Sources of Paper.
- D. Hydro-electric Power (with chart in original only).

* CIA Intelligence Memorandum No. 311, "Northern Korea's Dependence on Outside Supplies", 2 August 1950 (Secret), is enclosed as Supplementary material for sections A and B of this report.

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A. Imports from non-Communist Sources

1. Northern Korean import requirements from non-Communist sources encompass a wide variety of items and commodities. There is, at present, no way of determining accurately what items and commodities are essential to the northern economy. D/FE has knowledge of two documents alleged to have been secured from northern Korean traders in Hong Kong and in Japan, which detail northern Korean import requirements. Both of these documents will be available for examination in D/FE soon, or copies can be made if desired.

Generally, northern Korean import requirements from non-Communist areas can be broken down into three broad categories; 1) raw materials, 2) basic equipment, and 3) finished manufactures.

Raw material needs are: Rubber, sulphur, tin, resin, asbestos, cotton, antimony, gypsum, ferro-manganese, ferro-chrome, and aluminum.

Basic equipment needs are: Textile machinery, machine tools (lathes, drill presses, hydraulic presses, milling, hobbing, slotting, boring, planing and grinding machines), construction equipment (graders, dozers, etc.) tobacco processing and cigarette-making machines, and printing presses.

Finished manufactures needs are: cotton and woolen piece goods, glass, copper and steel wire, ball bearings, V-beltting, an extensive list of all types of electrical equipment (ranging from basic equipment without which electricity can not be generated or transmitted to instruments for measuring electricity), manila and wire rope, rubber manufactures (tires, and tubes), transportation equipment and spare parts (auto, trucks, locomotive and spare parts), paper (printing, newsprint, kraft, cigarette, and currency paper), pharmaceuticals, chemicals (principally dyes,

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chlorates, and rubber accelerators), and petroleum products (pitch lubricating oils, high octane gasoline).

2. Northern Korea's import requirements from non-Communist sources may be met, to some extent, by imports from the USSR. Probably over 85 percent of northern Korea's total trade, in 1949, was conducted with the USSR and Communist China (Manchuria). Principal northern Korean imports from the USSR included crude and refined petroleum, machine tools, transportation equipment, cotton and finished textiles.

3. The great bulk of northern Korea's overt foreign trade with non-Communist countries is conducted with Hong Kong. Although Hong Kong is able to provide the greater part of northern Korea's import demands on non-Communist sources, this does not infer Hong Kong is the point of origin of such commodities. On the basis of available information, no accurate determination can be made of what imports from what producing area eventually are transhipped to northern Korea. It is reasonable to assume raw materials such as rubber and tin comes from the RUMI or Malaya, and tin and cotton from China. Cotton piece goods are believed to originate in China and India. Other final manufactured items and basic equipment probably originates in Japan, Great Britain or the US. (Some shipments of rubber tires have been reported as originating in Japan.)

B. Exports to non-Communist areas

1. and 2. Hong Kong comprises the only large immediate non-Communist market for northern Korean exports. Some shipments are made to Japan or to Southeast Asia, but these comprise only a very small fraction of northern Korea's non-Communist foreign trade. The ultimate destination of northern

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Korean exports to Hong Kong can not be determined on the basis of information available to D/PK.

Over 30 percent of the value of northern Korea exports to Hong Kong was received in 1949 from the sale of only 11 commodities. These are, in the order of their importance:

- Oil seed Cake or vegetable oil residue used for livestock feed - HK \$ 13,284,605
- Pigs Bristles - HK \$ 5,037,000
- Cattle Fish - HK \$ 4,388,951
- Soya Beans - HK \$ 3,947,048
- Maize - HK \$ 3,707,823
- Beans, other than Soya - HK \$ 5,614,140
- Peanuts - HK \$ 3,430,115
- Salt Fish - HK \$ 2,650,539
- Synthetic Nitrate Fertilizer - HK \$ 1,747,807
- Peanut Oil - HK \$ 1,373,971
- Meal and Flour (generally corn) - HK \$ 1,212,181

A wide variety of other raw materials and finished goods made up the balance of northern Korean exports. These included; crustacea, tobacco, wood, gold and species, furs, graphite, horsehair, silk, carpets, table linen, gunny sacks, silk waste, dyestuff, starches, Chinese medicine, ginseng, eggs, apples, beef, dates, edible nuts, and mushrooms.

3. It is believed that foreign exchange earnings are generally in Hong Kong Dollars. The major portion of the Hong Kong-Northern Korea trade is on a barter basis; however, in 1949, northern Korea has a favorable balance with Hong Kong. This favorable balance is believed to be banked in Hong Kong.

C. Currency. Sources of paper

1. D/PK has only limited information relative to the sources of northern Korean currency paper. The one reference in our files on this matter concerns a Chinese merchant (CHE SAN of the China Resources Co.,

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En. 504, Pedler Bldg. Hong Kong) trading in Hong Kong, who obtained 600 tons of currency paper, presumably from a US firm dealing in that commodity, and shipped the entire amount to northern Korea between January and March, 1949. This merchant further planned to obtain another 1800 tons for shipment to the same destination.

2. D/FE is not aware of which government agency in northern Korea is charged with printing the currency. However, it is assumed that the Central Bank of Korea is charged with this mission. The Central Bank is located in the city of PYONGYANG, on the West bank of the YALDONG-GANG, 3 blocks north and 1 west of the trolley-auto bridge across the river.

3. As stated above, D/FE is not in a position to know all of the sources of northern Korean currency paper. Assuming that shipments from Hong Kong are the sole source of such paper, then Hong Kong would certainly be the most important link in such a chain of procurement. Another possible source of currency paper is Japan. (Recent reports have indicated a fairly large volume of clandestine trade between Japan and Korea. Items involved in such trade are not described in detail, but "paper" was reported as being exported to northern Korea.)

4. D/FE feels, on the basis of many reports from southern Korea of fairly extensive, although clandestine, trade between northern and southern Korea, that it would not be difficult to obtain samples of northern Korean currency in southern Korea.

D. Hydro-electric Power

The hydro-electric power complex in north Korea was developed by the Japanese during their tenure of power in Korea to further their aims of an integrated industrial area in Manchuria and north Korea.

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The name plate capacity of plants reported in operation in north Korea in 1945 - before the surrender of the Japanese - was probably slightly in excess of 2 million kilowatts. A good estimate as to actual electric power available daily over a 12-months period before 1945 would be on the order of 1,700,000 kilowatts.

Electric power generating equipment in northern Korea suffered considerable damage from Soviet removals, Korean ineptness and inadequate Japanese maintenance during the last year of World War II and post-hostilities sabotage. Power generation in the period 1945 through 1947 probably fell as low as 1 million kilowatts. Since 1948, however, a large-scale rehabilitation program has been underway throughout north Korean industry - and considerable emphasis has been devoted to the electric power system. Aided by Soviet material and technical assistance, and by large-scale purchase of electrical equipment in Hong Kong, the north Korean power grid at present probably has a name-plate capacity of 1.5 million kilowatts with normal generating capacity in the vicinity of 800-900,000 kilowatts.

Electric power has long been an item of export from north Korea. Under the Japanese, 100-150,000 kilowatts was transmitted to Manchuria through Suiping by generators phased to the Manchurian 60 cycle system. In addition, from 75,000 to 100,000 kilowatts were transmitted south of the 39th Parallel. Until April of 1948, the north continued transmission to the south in amounts varying from 50- to 70,000 kilowatts. Although there is no positive information on the amount transmitted to Manchuria following the Soviet occupation, the amount is estimated as between 75,000 and 80,000 kilowatts. In addition, in the post-war period, from 50- to 100,000 kilowatts have been exported to the USSR (Maritime Provinces).

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There are 58 power plants in some stage of operation in northern Korea. A detail study of generation, transmission and consumption of electric power in north Korea is, at present, beyond the scope of B/RS research capacity. However, preliminary research has made it readily apparent that the most important segments of Korea's hydro-electric plant are the Changjin and Pujon systems which provide power for the Hamhung-Hungnam chemical complex and for a major portion of the north-eastern coastal area. This system constitutes roughly 25% of the total north Korean electric power generating system. Explanatory text follows and an overlay accompanies this report.

The installed hydro-electric power generating capacity of the plants in the Changjin system is as follows:

Plant #1	- 144,000 KW
Plant #2	- 120,000 KW
Plant #3	- 48,000 KW
Plant #4	- 31,000 KW
TOTAL	- 343,000 KW

Average daily generation is as follows:

In July of 1945 (a relatively low water month)	112,000 KW
In May of 1949 (a high water month)	180-200,000 KW

The installed hydroelectric power generating capacity of the plants in the Pujon system is as follows:

Plant #1	- 120,000 KW
Plant #2	- 41,000 KW
Plant #3	- 18,000 KW
Plant #4	- 18,000 KW
TOTAL	- 207,000 KW

Average daily generation is as follows:

In July 1945	- 70,000 KW
In May 1949	- 90-100,000 KW.

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CENTRAL INTELLIGENCE AGENCY

OFFICE OF REPORTS AND ESTIMATES

Project Initiation Memorandum

Copies to D/No
AP/OPS
file
No notification for State

Date: 13 Mar 50

To: D/No

From: Publications Division, Projects Planning

Subject: Communist split in Norway

Statement of Project:

Origin: Internal (K-1317)

Problem: To evaluate the Communist Party split in Norway.

Scope:

Graphics (if any):

Form: Memorandum (orig + 2)

Draft due in D/Pub: 1200 15 Mar 50

Responsible Division: D/No

Dissemination deadline
(if any)

1600 15 Mar 50

Internal Coordination: EE/8

Departmental Responsibilities: None

Classification to be no higher than: Secret

Recommended Dissemination: Requester only

49/89

13 March 1950

MEMORANDUM FOR: D/Pub,ORE

ATTENTION :

25X1A

SUBJECT : Communist Split in Norway

REFERENCE : 25X1A

1. It is requested that this office be furnished an evaluation of the Communist Split in Norway.

2. Degree of need of this request is highest. It would be appreciated if the evaluation would be ready by 15 March.

25X1A 3. This memorandum confirms conversation between [REDACTED] of this office.

25X1A

[REDACTED]
Acting Chief, Intelligence Support

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Note: The classification of this memorandum must be raised to conform to the classification of the draft it covers.

Date 16 March 1950

MEMORANDUM FOR CHIEF, PUBLICATIONS DIVISION

SUBJECT: Transmission of Draft Report

ENCLOSURE: IP-76 'Communist Split in Norway'

(3 copies)

1. Enclosure is forwarded herewith for review and, if required, for formal coordination with the departmental intelligence organizations.

2. This draft report has been coordinated informally with the organizations checked below:

Within CIA:

D/GI	<input type="checkbox"/>	D/NO	<input type="checkbox"/>
D/In	<input type="checkbox"/>	D/IA	<input type="checkbox"/>
D/Tr	<input type="checkbox"/>	D/WE	<input type="checkbox"/>
D/EE	<input type="checkbox"/>	D/Ma	<input type="checkbox"/>
D/FE	<input type="checkbox"/>	D/EC	<input type="checkbox"/>
D/NE	<input type="checkbox"/>	Other	<input type="checkbox"/>

Outside CIA:

State (OIR)	<input type="checkbox"/>
Army (ID/GSUSA)	<input type="checkbox"/>
Navy (ONI)	<input type="checkbox"/>
Air (AID)	<input type="checkbox"/>
Other	<input type="checkbox"/>

3. Maps and/or Graphics to be included in this report and arrangements completed for their production by the Map Division or the Presentation Staff are as follows:

4. Comments:

25X1A



Northern
Division

CONFIDENTIAL

16 March 1950

MEMORANDUM TO: OPG
FROM : D/No
SUBJECT : IP-78 "Communist split in Norway"

Your attention is invited to ORE-77, published 14 December 1949 with information contained therein as of 22 November 1949. Chapter 2, section c, contains a summary of the schism. In addition, the attached copies of D/No Weekly Summary items, contain a running account of events. The only noteworthy event which has occurred since the last of these writings was published is a public statement made by Feder Furubotn in which he acknowledges defeat. Furubotn says "the activity of the former national council (Furubotn) is ended" and requests "all party comrades to enter the party ranks and to help realize the party aims". Except for some remaining dissension in the party's lower levels, the crisis has passed and the NKP is not split. These lower levels will, in all probability, soon succeed in uniting.

It should be carefully borne in mind that the schism resulted primarily from a struggle for power among the top leadership, not from a conflict of ideologies and above all, not from the existence of Titoist deviation. The difference of opinion between the two factions centered about the choice of methods which the party should employ in attempting to gain power. The Furubotn group, representing "activism," wanted to fight with all means, fair or foul, was ready to go underground and was opposed to temporary compromise. The Lovlien group is the proponent of "legalism" and wishes to work ostensibly within the constitutional framework, preferring to avoid illegal methods until the moment is opportune to abandon constitutionality and become overt rebels again. Despite the victory of "legalists" over "activists" it would be entirely erroneous to assume that the future course of the NKP will be less Moscow-oriented. There is no true nationalist Titoist sentiment within the NKP.

The schism has greatly weakened the NKP: it has lost numerical strength and any faint chance it might have had of achieving mass labor support is now lost. Attention is now per force being turned inward toward consolidation of the badly weakened organization and in an effort to achieve greater centralization and more effective supervision of local units, emphasis is being placed on a closely integrated cell structure. In all probability the projected reorganization will be successfully achieved. The NKP will then have greater effectiveness as a small but tightly disciplined, thoroughly indoctrinated and determined group than it had when it attempted to operate as a mass labor party. The NKP continues to

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constitute a potential danger to Norwegian security, particularly in the field of espionage.

Enclosures: *(with original only)*

Excerpts from the following D/No Weekly Summaries:

No. 88, 31 Oct 49, "Schism in Communist Party leadership culminates in expulsion of rebels."

No. 90, 14 Nov 49, "Chaos and confusion in MKP"

No. 95, 19 Dec 49, "Two Communist factions vie in Norway"

No. 97, 9 Jan 50 - Note

No. 99, 23 Jan 50 - Note

No. 102, 20 Feb 50 - Note

No. 105, 8 March 50, "Lithuanian control confirmed by Communist Party Congress"

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CENTRAL INTELLIGENCE AGENCY
OFFICE OF REPORTS AND ESTIMATES
Project Initiation Memorandum

Project: P-77

Date: 13 March 50

To: D/Tr

From: Publications Division, Projects Planning

Subject: Air Union of Bethesda

Statement of Project:

Origin: Internal (K-1219)

Problem: To report on action taken with respect to illegal transship-
ment of aircraft parts to Poland by Air Union

Scope:

Note: It is understood that this report will be made after
consultation with Munitions section of Dept. of State,

Graphics (if any): —

Form: Memorandum (orig. + 2)

Draft due in D/Pub: 17 Mar 50

Responsible Division: D/Tr

Dissemination deadline
(if any)

17 Mar 50

Internal Coordination: D/EE, D/EC

Departmental Responsibilities: None, except as noted above

Classification to be no higher than: Secret

Recommended Dissemination: Requester only

CONFIDENTIAL

7 March 1950

MEMORANDUM FOR: D/Pub ORE

ATTENTION : [REDACTED] 25X1A

SUBJECT : Request for Information

1. Reference is made to ORE's Eastern European Weekly of 31 January 1950 in which mention is made of \$800,000 worth of aircraft parts shipped by Air Union of Bethesda, Maryland to France from whence they were transshipped to Poland. Will you please ascertain and report the action taken, if any, in regard to Air Union.

2. It is requested that this office be furnished the above material by 15 March 1950 or soon thereafter as possible.

[REDACTED] 25X1A

Acting Chief, Intelligence Support

Reference: [REDACTED]

25X1A

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77

Chief, Publications Division, ORE

17 March 1950

Chief, Transportation Division, ORE

Air Union of Bethesda

1. In accordance with your request, the following information has been obtained concerning action taken with respect to activities of the subject company:

2. During the past year, Air Union, Inc., exported a total of approximately \$900,000 worth of aircraft parts. Investigation by officials of the Munitions Division, Department of State, has revealed that of this amount, only a small portion appears to have been illegally forwarded to Poland or other Satellite areas. Export licenses were granted Air Union for aircraft parts valued at \$80,000 and consigned to ~~Sofradax~~ of Paris. This organization was recently disclosed to be the front for a group of procurement agents acting for the Polish airline LOT and arranging transshipments to Warsaw. Of the equipment licensed for export to Sofradax, little more than half has actually been shipped. The balance has been impounded or otherwise prevented from leaving the country.

3. The Munitions Division has suspended all Air Union export licenses except those for shipment to well-known responsible consignees such as Air France or other government-controlled users. In future, licenses for export will be strictly screened and issued only after investigation as to the end use of the equipment. Export licenses for aircraft parts, furthermore, are now being controlled to prevent stockpiling of equipment and will be withheld if quantities appear to be in excess of normal requirements. This policy is now in effect regarding shipments to any part of the world. Officials of the Treasury and Justice Departments have been alerted to the persons, organizations and channels involved in the illegal transshipments. The Munitions Division has requested the FBI to investigate the records of Air Union, Inc., in order to determine whether, and on what basis, legal action can be taken to prosecute the company for violation of export laws, espionage, fraud against the government, or even income tax evasion.

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Copy to D/FE

AD/FE

25X1A

CENTRAL INTELLIGENCE AGENCY

OFFICE OF REPORTS AND ESTIMATES

Project Initiation Memorandum

Project: IP-78

Date: 13 Mar 50

To: D/FE

From: Publications Division, Projects Planning

Subject: ~~Political~~ Political situation in French Indo-China

Statement of Project:

Origin: Internal (K-1189)

Problem: To analyze the political situation in French Indo-China with particular emphasis upon the points noted in the

Scope: attached memorandum.

Graphics (if any): —

Form: Memorandum (origt 2)

Draft due in D/Pub: 15 April 50

Responsible Division: D/FE

Internal Coordination: —

Departmental Responsibilities: None

Classification to be no higher than: Secret

Recommended Dissemination: Requester only

Dissemination deadline
(if any)

15 April 50

SECRET

Approved For Release 2000/04/17 : CIA-RDP79T01049A000100080001-8

8 March 1950

MEMORANDUM FOR: D/Pub, ORE

25X1A

ATTENTION :

SUBJECT : Request for Information

1. It is requested this office be furnished the following information.

a. How effective is the Cao Dai politically? What types of people does it attract? How many does it control? Who are its leaders? What is their attitude now (March 1950) towards Bao Dai, the French, the Resistance:

b. Who among the "attentists" have the most political strength, or potential strength? What would cause them to help Bao Dai actively?

c. Are there any leaders in the Resistance who are reluctant about being yoked with the Communists? Who? What is their position? How deeply are they involved with Ho and other Communists?

d. Exactly what is King Norodom Sihanouk's feeling towards the United States? Is there any American with whom he is friendly in particular? How sincere is he in co-operating with the French?

e. Has there been any effective action by the Issaraks in Cambodia in the last two months? Are there any Communists from the Viet Minh or Chinese who are contacting and encouraging these dissidents? Or, are Resistance contacts mainly with anti-French non-Communists?

2. It is requested this information be furnished by 15 April or as soon thereafter as practicable.

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Acting Chief, Intelligence Support

Reference: 25X1A

Approved For Release 2000/04/17 **SECRET** DP79T01049A000100080001-8

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Note: The classification of this memorandum must be related to reference to the classification of the draft it covers.

Date 17 April 1950
1700

MEMORANDUM FOR CHIEF, EDUCATIONS DIVISION

SUBJECT: Transmission of Draft Report

ENCLOSURE: IP- 78 "Political Situation in Indochina"

(3 copies)

1. Enclosure is forwarded herewith for review and, if required, for formal coordination with the departmental intelligence organizations.

2. This draft report has been coordinated informally with the organizations checked below:

None

Within CIA:

D/GI	<input type="checkbox"/>	D/NO	<input type="checkbox"/>
D/In	<input type="checkbox"/>	D/LA	<input type="checkbox"/>
D/Tr	<input type="checkbox"/>	D/NE	<input type="checkbox"/>
D/EE	<input type="checkbox"/>	D/Fa	<input type="checkbox"/>
D/FE	<input type="checkbox"/>	D/EC	<input type="checkbox"/>
D/NE	<input type="checkbox"/>	Other	<input type="checkbox"/>

Outside CIA:

State (OIR)	<input type="checkbox"/>
Army (ID/CSUSA)	<input type="checkbox"/>
Navy (ONI)	<input type="checkbox"/>
Air (AIT)	<input type="checkbox"/>
Other	<input type="checkbox"/>

3. Maps and/or Graphics to be included in this report and arrangements completed for their production by the Map Division or the Presentation Staff are as follows:

None

4. Comments: This report is based on information currently available to D/FE. Field collections requests have been made but no additional information has been received.

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D/FE

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Secret

Enc. (A)

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IP-78
17 April 1950

a. How effective is the Bao Dai regime politically?

(1) General

Political effectiveness--in the sense of ability to recruit a constantly growing number of partisans, ability to carry out popular political, economic, and social action, and the ability to engender mass action and enthusiasm--is weak at this time. There is instead continual wrangling, lip-service, and intrigue within the ranks of ostensible Bao Dai supporters largely centering on questions of personality and prestige. Among prominent members of the Bao Dai Government, the turnover in personnel is fairly rapid, and it is frequently difficult to replace officials who have retired out of disillusionment, pique, or as the victims of intrigue. The happiest aspect of the Bao Dai regime is the government of North Vietnam, where Governor Nguyen Huu Tri has apparently gained fairly wide popular confidence. Vietnamese armed forces are more aggressive and capable there than in other parts of Vietnam, and the area under direct Vietnamese control has been expanded. A steady stream of reports on villages asking for Bao Dai's protection is impossible to evaluate, with the exception noted in the case of North Vietnam.

Political effectiveness--in the sense of the exercise of full sovereignty--is nil. The French retain full control of those activities which make the difference between an independent and a dependent state.

(2) What types of people does the Bao Dai regime attract and who are the leaders?

The people of Vietnam are more politically conscious than is the general rule in Asia. Even so, the bulk of the population, while generally anti-French and therefore generally in sympathy with demands for full independence of the Ho regime, is, in the main, non-active in a political sense. Symptomatic of the trends in popular sentiment, is the position taken by the

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relatively small class ^{of} educated Vietnamese. A majority of this group has and is exhibiting a disinclination to identify itself as supporting Bao Dai in opposition to the Ho regime.

Although it is impossible to ascribe percentage of support from this class possessed by either Ho or Bao Dai, it is believed that a much larger number ~~are~~ identified with the Ho regime, usually because of conviction that this group offers the way to rid Vietnam of the French, but occasionally because they have been "captured" and have no alternative. With the exception of certain areas of North Vietnam, the Bao Dai Government has had only negligible success in winning popular sympathy. Reports of mass support from religious organizations, especially the Cao Dai and Catholicism, must be treated with reserve.

It is difficult to find a single category which describes Bao Dai's supporters. One large, if ill-defined, category under which many of them may be grouped is "men who have a flair for making money." This would include men ranging from the relatively solid-citizen type (Tran Van Huu) through a group of which the extreme of unsavoriness is represented by Nguyen Tan Cuong. Some of Bao Dai's immediate entourage are members of the Royal Family, but other members of the Royal Family are opposed to Bao Dai. Intellectuals are not much in evidence. Nguyen Phan Long probably considers himself the leader of this latter group, which would include Long's protegee, Vuong Quang Khuong. Nguyen Khac Ve, the Minister of Justice, is a capable man in his field. Tran Guu Chan, Long's brother-in-law, is a scholar. He once supported Bao Dai, but is inactive at present. Apparently there are many of the old-civil-servant or mandarin type who act as minions of Bao Dai at the village or provincial level, but aside from Nguyen Huu Tri their names are not prominent.

(3) How many Vietnamese does the Bao Dai regime control?

See sub-paragraph (2) above.

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(4) What is the present attitude toward Bao Dai, the French, the Resistance?

Every political leader or aspirant associated with the Bao Dai experiment naturally pays tribute to Bao Dai, never criticizes him, and always invokes the name of Bao Dai in order to justify his program or blanket his enemies. Toward the French, Vietnamese politicians of every political stamp are almost 100% opportunistic. "Loyalty" to the French, except on a strictly day to day basis, would mean eventual political suicide. The Bao Dai regime as a whole continues to treat the Resistance somewhat gingerly, and a number of officials have indicated their sympathy for armed struggle against the French. Nguyen Phan Long, who recently called the Resistance fighters "blood brothers", has probably gone further than others in this respect. References to Communism usually involve some sort of circumlocution such as "the forces of foreign-inspired tyranny" (which often is actually intended to sound to a Vietnamese as though the speaker were referring to the French).

b.(1). Who among the "attentistes" have the most political strength?

Untested political strength is hard to evaluate since it usually depends on a series of interlocking cliques rather than a regular party machine, so far as organization is concerned. Personality and repute are also very important, and easier to assess. So far as reputation is concerned, some of the leading fence-sitters are: (in Hanoi) Nguyen Manh Ha, Ngo Dinh Diem, Hoang Xuan Han, Bui Tuong Chieu, Vu Ngoc Tran, Vu Ngoc Anh, Vu Van Hien, Ho Ta Khanh, Tran Van Lai, Nguyen Duong Don; (in Saigon) Tran Van De, Trinh Dinh Thao, Lau Van Lang. One of the most interesting aspects of fence-sitting is that despite the presumable strength of Bao Dai's appeal to the native Catholics (his wife is Catholic; the Vatican has made plain its position toward Communism and has recognized the Bao Dai Government, etc.) there seems to have been no major shift in favor of Bao Dai. Bishop Le Huu Tu, probably the most important of

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the native population, has continued to take an equivoical position respecting the "liberation" of his vicarate of Phat Diem in late 1949. Within France itself there are 25,000 Vietnamese, including many persons possessing technical and political skill. In the past they have generally supported Ho Chi Minh; altered circumstances have probably induced many of them to take a neutral position. Among the prominent Vietnamese in France who are not associated with the Bao Dai Government are: Pham Huy Thong, Tran Duc Thao, Prince Buu Hoi, Prince Vinh Ban, Hoang Van Co, and Mee. Dao Van Chan. In addition to the fence-sitters properly so called are a great number of Viets in France, Hong-Kong, and Vietnam who have dropped out of the Bao Dai Government, or whose present connection with it is tenuous or purely nominal.

(2) What would cause them to help Bao Dai actively?

The objective of all patriotic Vietnamese is full political independence for Vietnam. The fence-sitters want some irreversible action on the part of the French Government which would move Vietnam toward this status. The March 8 Accord in conjunction with the structure of the French Union do not constitute this irreversible step. (The agreement uniting Cochinchina with the rest of Vietnam, for example, contains a clause which might permit the French Government to reassert its sovereignty over that area). The essential step might be an agreement to Vietnam's eventual right to secede from the French Union independent of French acquiescence, or the accrediting of foreign diplomats directly to the Vietnam Government, or the placing all Vietnamese revenue under Vietnamese control. Short of one or more of these steps are moves of lesser importance which would help to broaden Bao Dai's support; for example, the so-called "evolutionary statement," and restoration of the palace at Saigon.

c. Are there any leaders in the Resistance who are reluctant to be yoked with the Communists? Who? How deeply are they involved with Ho and other Communists?

There are undoubtedly many Viet leaders in the Resistance who are unhappy about their alliance with the Communists. Left-wing Socialists (Hoang Minh

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Giam, Foreign Minister) and capable, bellicose types (Pham Ngoc Thach, Under-secretary to the President) are probably able to adapt themselves to this situation more readily than the Catholics (Pham Ba Truc, Vice-President to the National Assembly) and ex-monarchists (Phan Ke Toai, Minister of the Interior. In between these two groups would be others (Nguyen Van Huyen, Minister of Education, Vu Dinh Hoo, Minister of Justice, Pham Van Bach, Chief of Cochinchina Resistance, Cu Huy Can, Minister of Agriculture, et al.) for whom alliance with the Communists constitutes a more or less necessary evil. Under the present circumstances, the involvement of these men with the Communists is total, except for whatever cautious feelers they are able to put out to groups within or outside of Vietnam who might be willing to support a "third force" movement. There is almost no possibility of a sharp cleavage between Communist and non-Communist groups so long as the war continues.

- d. What exactly is King Norodom Sihanouk's feeling toward the US? Is there any American with whom he is friendly in particular?

Adequate documentation is not available. The king showed keen interest in US-Cambodian relations on the occasion of US notification of recognition, but beyond this little is known. He is not known to have any close American associates.

How sincere is he in cooperating with the French?

The concept of French protection has more meaning for the Cambodians than for the Vietnamese owing to the weakness of their country, and for this reason the king might as a provisional measure sincerely cooperate with the French. However, his declared eagerness to establish relations with the US and to criticize the French in the presence of American officials is an

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indication of how readily he would drop the French if he thought their services could be dispensed with.

- e. Has there been any effective action by the Issaraks in Cambodia in the last two months? Are there any Communists from the Viet Minh or Chinese who are contacting and encouraging these dissidents? Or are Resistance contacts mainly with anti-French non-Communists?

The Vietnamese Resistance radio has in the past few months been making more frequent references to the Issarak movement. This does not necessarily indicate increased Issarak activity, but it probably does indicate a continuing infiltration of the Issarak movement by the Vietnamese Resistance. It is not possible to state whether this infiltration is a primarily Vietnamese Communist venture or whether it is an aspect of Resistance strategy in a purely military sense. It is to be noted, however, that references to the "common struggle" of Viets, Laos, and Cambodians which are broadcast by the Resistance radio are almost always associated with Stalinist themes. It is difficult to judge the intensity of dissident activity in Cambodia at the present time. Even French sources give varying accounts.

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Copy to *FILE*
AD/ORE

25X1A

file

CENTRAL INTELLIGENCE AGENCY

Project: *IP-79*

OFFICE OF REPORTS AND ESTIMATES

No State/notify

Project Initiation Memorandum

Date: *13 Mar 50*

To: *D/EE*

From: Publications Division, Projects Planning

Subject: *Popular reaction to current economic situation in Hungary*

Statement of Project:

Origin: *Internal (K-1248)*

Problem: *To indicate popular reactions to the current economic situation in Hungary*

Scope:

Graphics (if any):

Form: *Memorandum (orig + 2)*

Draft due in D/Pub: *earliest convenience*

Responsible Division: *D/EE*

Dissemination deadline
(if any)

Internal Coordination: *-*

Departmental Responsibilities: *None*

Classification to be no higher than: *Secret*

Recommended Dissemination: *Requester only*

8 March 1950

MEMORANDUM FOR: D/Pub,ORE

ATTENTION : [REDACTED] 25X1A

SUBJECT : Economic Situation in Hungary

1. This office has a requirement for information on the current economic situation in Hungary with specific reference to its influence on the morale of the people.

2. This memorandum is the result of a conversation between [REDACTED] of 25X1A this office on 8 March 1950.

3. Your Cooperation in fulfilling this requirement will be very much appreciated.

[REDACTED]
Acting Chief, Intelligence Support

25X1A

Reference: [REDACTED] 25X1A

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Note: The classification of this memorandum must be raised to conform to the classification of the draft it covers.

Date 23 March 1950

MEMORANDUM FOR CHIEF, PUBLICATIONS DIVISION

SUBJECT: Transmission of Draft Report

ENCLOSURE: IP-79, "Popular Reaction to Current Economic Situation in Hungary"

(3 copies)

1. Enclosure is forwarded herewith for review and, if required, for formal coordination with the departmental intelligence organizations.

2. This draft report has been coordinated informally with the organizations checked below:

None

Within CIA:

D/GI	<input type="checkbox"/>	D/NO	<input type="checkbox"/>
D/In	<input type="checkbox"/>	D/LA	<input type="checkbox"/>
D/Tr	<input type="checkbox"/>	D/WE	<input type="checkbox"/>
D/EE	<input type="checkbox"/>	D/Ma	<input type="checkbox"/>
D/FE	<input type="checkbox"/>	D/EC	<input type="checkbox"/>
D/NE	<input type="checkbox"/>	Other	<input type="checkbox"/>

Outside CIA:

State (OIR)	<input type="checkbox"/>
Army (ID/GSUSA)	<input type="checkbox"/>
Navy (ONI)	<input type="checkbox"/>
Air (AID)	<input type="checkbox"/>
Other	<input type="checkbox"/>

3. Maps and/or Graphics to be included in this report and arrangements completed for their production by the Map Division or the Presentation Staff are as follows:

None

4. Comments:

None

25X1A

Chief

D/EE
Division

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23 March 1950

25X1A

SUBJECT: POPULAR REACTION TO CURRENT ECONOMIC SITUATION IN HUNGARY

1. SUMMARY

Popular reaction to the current economic situation in Hungary is, in general, a blend of submerged resentment and apathy. The intensity of resentment fluctuates with the anticipation and enactment of successive economically oppressive measures. The awareness of government control and the absence of sufficient economic provocation contribute to the continuation of this passivity.

2. DISCUSSION

The reaction of specific groups of the Hungarian population to economic measures and conditions affecting them varies. In line with their policy of promoting class warfare, the Communists curry favor with one segment of the people in their efforts to turn it against another, which they are trying to eliminate as a class. Thus, among the peasants, the former agricultural laborers and the other, poorer, peasants were given land and favored with preferential taxes, government-supplies/fertilizer, seeds and agricultural machines in an effort to persuade them to join cooperatives which the Communists claimed was the only way they could be saved from exploitation by the kulaks, i.e. peasants owning more than 25 acres (according to Hungarian Communist definition).

Meanwhile, the kulaks are being systematically eliminated through taxation, arrests, and various discriminatory measures such as very high compulsory

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deliveries of food. As a result, the poorer peasants are more or less content while the small landholders are resentful and would probably present a strong threat to the regime except for the fact that the secret police informer system is so efficient that most of the potential leaders have already been arrested.

There remains the greatest bulk of the population, the middle peasants, whom the Communists are trying to coerce into joining cooperatives through persuasion, intimidation, and economic sanctions. Despite the Communists' efforts to convince the peasants of its benefits, a dread of collectivization permeates the whole countryside. Evidence of the extent of this fear is the fact that less than 10 percent of the peasants have joined cooperatives (predecessors to collectives). This antipathy to collectivization is based in part on the pre-war indoctrination by the Horthy regime, which pictured collectivization as one of the horrors of the Bolshevik system, in part on the native individualism of the Hungarian peasant, which precluded his participation in such pre-war cooperative organizations as are commonly found among rural areas of Western Europe, and in part on the peasants' emotional antagonism to anything associated with Communism and the Russians as a result of their bitter wartime experiences at the hands of the Soviet troops.

Another segment of the population which ostensibly is being pampered by the regime is the laboring class. Self-styled as the dictatorship of the proletariat, the Communist Government theoretically acts in the name of and for the benefit of the workers. In practice the position of the workers is not so advantageous. Although they are better off economically than they were before the war, the repression by and demands of the Communists tend to counteract any favorable reaction to an improvement in the standard of living and to a decline in unemployment.

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Despite their allegedly favored position, the workers have been subjected to such alienating measures as: (1) periodic upward revisions of the production norms, which result in reductions of take home pay, (2) decrees designed to tie the worker to his job and to eliminate absenteeism, (3) extra production drives such as that staged recently in honor of Stalin's birthday, (4) adoption of the Soviet system of Stakhanovism, which creates a labor elite causing resentment among the other workers, (5) failure to fulfill promises to replace obsolete machinery and to eliminate industrial hazards, and (6) extreme penalties for sabotage which is defined as to include even the most innocent mistakes.

Remaining elements of the middle class realize that under the Communist system their time is limited. The professional people and technicians who are still useful are strictly controlled and will be removed from their jobs as soon as proletarians are trained to replace them. Non-essential members of the middle class are forced to take laboring jobs, and politically unacceptable people are unable to find employment.

Tradesmen comprise another group which is being squeezed out of existence. Despite continued promises by Communist leaders that retail trade will not be nationalized, there is widespread fear that it will be. Tradesmen are already so restricted by limitations on licenses, personnel, kinds of goods sold, etc, as well as by other discriminatory practices designed to place them at a disadvantage in competing with state stores, that their existence is precarious.

The apathetic reaction of people to nationalization is one of the factors responsible for the deterioration in the management and operation of nationalized enterprises. Nationalized restaurants, hotels, etc, reportedly showed an immediate decline in efficiency following nationalization; naturally the consumer resented the resulting low quality of goods and services.

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Because Hungary for the past two years has had excellent crops which were not significantly withheld from the population by the Government, there is no scarcity of food. Furthermore, the reconstruction and expansion of Hungarian industry since the end of the war has been satisfactory, and has resulted in an increasing supply of consumer goods which is, however, still far from sufficient to fill the demand. Thus, the standard of living is showing a gradual improvement which naturally causes a favorable popular reaction. The Communists fully propagandize such measures as the abolition of rationing last August, although actually that was not a significant move because food was so ample that there was little meaning to the rationing system.

There is a constant threat of currency reform or other manipulation of finance and the average person is in constant anxiety lest the meager savings he manages to accumulate toward the next pair of shoes or a new suit will be taken from him. Last fall the forced loan for the financing of the Five Year Plan, which required the contribution of as much as a month's salary by every employed person, was met with covert hostility by the population, not only because it cut into their current income but also because they felt that it would never be repaid.

Popular reaction to economic exploitation of the country by the USSR is, however, slowly reflecting less resentment as the exploitation becomes more subtle, and illusory benefits of the economic relationship are vaunted.

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JUN 16 1950

MEMORANDUM FOR: Assistant Director,
Office of Reports and Estimates

SUBJECT: "Financial and Commercial Operations in Tangier,"
IP-80, 26 April 1950.

1. Subject study prepared by your staff which was requested on behalf of this office has been received and reviewed.

2. This study is highly satisfactory in its scope and organization. It has been of much value and will undoubtedly be of additional assistance. We are appreciative of the care with which the study has been produced and grateful for the cooperation of your office.

 25X1A

Assistant Director for
Policy Coordination

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Copy to: D/WE
D/DEF
25X1A

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CENTRAL INTELLIGENCE AGENCY
OFFICE OF REPORTS AND ESTIMATES
Project Initiation Memorandum

Project: IP-80

No strike notif.

Date: 13 Mar 50

To: D/WE

From: Publications Division, Projects Planning

Subject: *Tanger*

Statement of Project:

Origin: Internal (K-1261 and K-1244)
Problem: To present specified intelligence on financial and commercial operations in *Tanger*
Scope: Requester has talked directly with D/WE on this matter

Graphics (if any):

Form: Memorandum (orig + 2)

Draft due in D/Pub: earliest convenience

Responsible Division: D/WE

Dissemination deadline
(if any)

Internal Coordination: D/EC

Departmental Responsibilities: None

Classification to be no higher than: Secret

Recommended Dissemination: Requester only

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Approved For Release 2000/04/17 : CIA-RDP79T01049A000100080001-8


8 March 1950

MEMORANDUM FOR: D/Pub,ORE

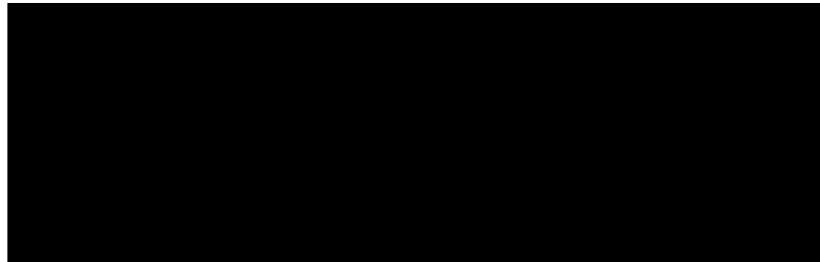
ATTENTION :  25X1A

SUBJECT : Request for Information

1. It is requested this office be furnished information on the free currency market operations in Tangier.

25X1A 2.  of this office has already discussed the matter with your people.

Reference:



25X1A

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TRANSMITTAL SLIP		
MAY 9 1950 DATE		
TO: <i>o/Rob</i>		
BUILDING	ROOM NO.	
REMARKS:		
FROM: <i>COMMUNICATIONS SECTION</i>		
BUILDING	ROOM NO.	EXTENSION

FORM NO. 36-8
SEP 1946

CONFIDENTIAL

Approved For Release 2000/04/17 : CIA-RDP79T01049A000100080001-8
ROUTING AND RECORD SHEET

INSTRUCTIONS: Officer designations (see separate sheet) should be used in the "To" column. Under each comment a line should be drawn across sheet and each comment numbered to correspond with the number in the "To" column. Each officer should initial (check mark insufficient) before further routing. This Record and Routing Sheet should be returned to Registry.

FROM:

ISB

8 March 1950

ACCESSION NO.

C-19528

DATE RECEIVED IN S. A.

E. Mar.

TO	ROOM NO.	DATE		OFFICER'S INITIALS	COMMENTS
		RECEIVED	FORWARDED		
1. D/Pub, ORE Att'n: [REDACTED]	2316 "M"	25X1A			
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
11.					
12.					
13.					
14.					
15.					

Approved For Release 2000/04/17 : CIA-RDP79T01049A000100080001-8

RESTRICTED

8 March 1950

MEMORANDUM FOR: D/Pub,ORE

25X1A

ATTENTION : [REDACTED]

SUBJECT : Request for Information

1. It is requested this office be furnished information on the operation of the markets in securities and commodities in Tangiers, and a report on representative prices of same as of any recent date.


25X1A 2. [REDACTED] of this office has already discussed the matter with your people.

[REDACTED]
Acting Chief, Intelligence Support

25X1A

Reference: [REDACTED] 25X1A

RESTRICTED

TRANSMITTAL SLIP		
TO: <i>D/Hob-</i>		STATINTL DATE
BUILDING		ROOM NO.
REMARKS:		
FROM: <i>CO. CONTROL</i>		
BUILDING	ROOM NO.	EXTENSION

FORM NO. 36-8
SEP 1946

ROUTING AND RECORD SHEET

INSTRUCTIONS: Officer designations (see separate sheet) should be used in the "To" column. Under each comment a line should be drawn across sheet and each comment numbered to correspond with the number in the "To" column. Each officer should initial (check mark insufficient) before further routing. This Record and Routing Sheet should be returned to Registry.

FROM:

ISB

8 March 1950

ACCESSION NO.

R 79 626
DATE RECEIVED IN S. A.

7 Mar.

TO	ROOM NO.	DATE		OFFICER'S INITIALS	COMMENTS
		RECEIVED	FORWARDED		
1. D/Pub, ORH ATTN:	2316				
2. [REDACTED]	25X1A				
3.					
4.					
5.					
6.					
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11.					
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14.					
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26 April 1950

IP-80

FINANCIAL AND COMMERCIAL OPERATIONS IN TANGIER

The completely unrestricted market in the internationalized city of Tangier is one of the few places in the world where the values of foreign exchange and gold are determined by the law of supply and demand. The city consequently has become a haven for harried European capitalists, and for "get-rich-quick" operators who are evading financial controls in their own countries.

The greatest source of private income in the International Zone probably is the commissions earned by bankers and money brokers. The next largest source is derived from contraband traffic in goods, gold, and currencies with the other zones of Morocco and the various Mediterranean countries.

A. Commercial Operations.

Many businesses are organized in Tangier to avoid the stricter regulations and the higher fees of other areas. The greatest number of firms so formed are holding companies. There are also, however, a minority of firms actually doing business in the area, as well as many organizations engaged in illicit operations. The formation of a company does not necessarily increase the available working capital in the area.

A company may be organized with no other formality than the registration of a name and address, the declaration of a nominal capitalization, and the

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payment of certain fees and incorporation taxes. The fee for incorporating a business is one-fourth of one percent of the announced capital, or 250 francs on a capitalization of 100,000 francs. There are ^{no} neither personal ^{Taxes} for corporation income nor excess profits taxes. A token annual patente of "business" tax is collected, the amount depending upon the size and nature of the enterprise. There is, in addition, a real estate tax of 8 percent of the rental value of the property, and a small charge for stamps placed on certain receipted bills. No inquiries are made into the nature of the business, and no financial statements are ever required.

The four types of commercial organizations are Société Anonyme (corporation), Société en Nom Collective (partnership), Société en Commandite (limited partnership), and Société à Responsabilité Limitée (limited liability company). About 99 percent of all businesses are Sociétés Anonymes; during 1949 630 new business organizations were constituted. The following comparison of capitalizations is of passing interest only since the usual stated capital is 100,000 francs and does not necessarily give a true indication of size.

Capitalizations

<u>Year</u>	<u>Number Formed</u>	<u>Mar. Francs</u>	<u>Pescetas</u>	<u>Pounds</u>	<u>Dollars</u>	<u>Swiss Francs</u>
1946	440	419,380,000	14,828,000	34,300	279,700	100,000
1947	417	318,147,000	33,880,000	25,300	881,700	4,515,000
1948	506	432,700,000	14,093,000	30,000	813,400	811,000
1949	630	—	—	—	—	—

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Investment and flight capital thus introduced are of importance to the Tangier economy, but they do not make for stability.

An example of the type of organization created in Tangier is the central sales agency of a recently formed European salt cartel (including producers in France, Spain, Italy, French Somaliland, Tunisia, Morocco, and French West Africa) which will be incorporated in Tangier because of the unorthodox monetary and foreign exchange considerations. The leading firm in this cartel is French and has a virtual monopoly in France and certain of the French Overseas Territories.

The following list includes those firms engaged in legitimate operations or in the late stages of organization during 1948 in which a substantial direct private US interest is believed to exist. There are undoubtedly other firms in which private US capital is invested through holding companies in a third country.

1. Joseph Bendayan and Company -- general agents in Morocco for the Atlantic Refining Company, Philadelphia, Pa.; importers and marketers of petroleum products from the Atlantic Refining Company of North Africa, Wilmington, Del. The partners, Joseph J. Bendayan and Mair Abitol, are American protégés. Gross sales in 1948 were declared to be \$750,000. The firm hires 12 employees.

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2. Coca Cola Bottling Plant of Tangier -- bottling and distribution of carbonated beverages in Tangier. This firm is owned outright by the Tangier Investment Company of Delaware which holds the concession from the Coca Cola Export Corporation. The President is Eugene Carusi, an American, and the Vice President and General Manager is John A. Ryan. Gross sales in 1948 were declared to be \$50,000. The firm employs 25 persons.

3. First Banking Corporation -- international banking operations. There is no American affiliation, but the President, Edouard Le Roux, is an American. Operations commenced in December 1948. The capital of \$135,000 is controlled by US citizens. Four persons are employed.

4. Mackay Radio and Telegraph Company -- a branch of Mackay Radio and Telegraph Company, 67 Broad Street, New York, N. Y. A radio relay station is operated in Tangier. The manager, Benjamin F. Harrison, is an American. Of a total of 125 employees, 12 are US citizens.

5. R.C.A. Communications, Inc. -- branch of R.C.A. Communications, Inc., 66 Broad Street, New York, N. Y. A radio relay station in Tangier is operated. Andrew W. Long, an American, is the manager. Of a total of 86 employees, 11 are US citizens.

6. Singer Sewing Machine Company -- a branch of Singer Sewing Machine Company, 149 Broadway, New York, N. Y. This firm is an importer and retailer

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of sewing machines, parts, and sundries. Its manager, José Marquez Hernandez, is Spanish. Gross sales for 1948 were declared to be \$65,575, and value of investment \$146,058. The firm hires 22 employees.

7. Socony-Vacuum Oil Company, Inc. -- a branch of Socony-Vacuum Oil Company, Inc., 26 Broadway, New York, N. Y. Imports and markets petroleum products. The manager, Joaquín Ruiz, is Spanish. Gross sales for 1948 were declared at \$465,763. 35 persons are employed.

B. Banking Operations.

Tangier possesses more financial institutions than any city of comparable size. There are about 45 so-called banks, of which about 20 are only brokers for foreign exchange. The transfer of capital from country to country is facilitated through these Tangier banks. In addition there are some 40 commercial companies whose charters authorize them to perform banking functions, although they are not actually engaged in such activities to any extent. There is no central bank or is there any control upon the activities of the local banking institutions, which are not even required to publish statements. Each bank does, however, deposit a balance sheet with the Mixed Tribunal (principal judicial body) each year; these statements are not made public. Regulations to restrict the establishment of new banks are being considered by the Committee of Control (international governmental

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advisory body with veto power) as an entering wedge into the present wildcat situation. This proposed legislation will meet serious opposition from even the most conservative banks in the Zone as it would threaten the continuation of quick and easy profits now possible.

The interest rate on peseta and franc loans is normally 6 percent, while that on dollar loans varies between 5 and 5½ percent. Such loans are generally for 60 to 90 days against collateral. Mortgages are in demand at 8 or 9 percent in all currencies. Letters of credit are issued on a margin ranging from 20 to 40 percent with interest at 5½ percent and commission at three-fourths of one percent.

The following banking institutions are probably the most important in the Zone. Most have US correspondents.

1. Banco de Bilbao, a branch of the Spanish banking institution of the same name.

2. Banco de España, a branch of the Spanish institution of the same name. In December 1949 this branch bank announced its intention of charging interest on its current peseta accounts. The rate was established at one-fourth of one percent, payable every three months on the ^{plus} ~~largest~~ balance in the account during the preceding quarter. This regulation went into effect on 1 January 1950 for private depositors and on 1 February 1950 for deposit accounts of other banks. Although this rate is very low, it

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will tend to discourage large peseta deposits in this bank.

3. Banco Popular Español, a branch of the Banco Popular Español of Madrid. Capitalization: 132,000,000 pesetas.

4. Banco Salvador Hassan and Hijos. Joe Hassan, Director.

5. Banco de Vizcaya, a branch of the Spanish institution of the same name.

6. Bank of British West Africa. Mr. Allan H. Selley, Director. This bank is situated in the heart of the native town, squashed in between curio shops, a money changer's stall, and various sorts of native shops. Before World War II, a new account of 10,000 francs was extremely unusual. During the war the Director on occasion asked his clients to withdraw hundreds of millions of francs because he had too great a quantity. In 1947 he refused gold deposits because his vaults were packed to capacity.

7. Crédit Foncier d'Algérie et de Tunisie. Director, Max Raïda.

8. Banque d'État du Maroc, a branch of the bank of issue and central bank of French Morocco. Directors: Edmond Spitzer and Étienne Rizet. This bank was incorporated in Tangier. While its home office theoretically is Tangier, actually its operations are directed from Rabat.

9. Banque Commerciale du Maroc, a branch of the Casablanca bank. Capitalization: 100,000,000 francs. Director, René de la Bollardière.

10. Banque Jakob Alster, a private institution operated by a Polish national. Jakob Alster works mainly with Spain and South Africa. He has

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the reputation of covering his tracks so well that, although his activities are carefully watched, nothing has yet been found against him. He charges a flat rate of three percent for transferring pesetas from Spain to Tangier. In December 1948 he was reported to be dealing in Reichsmarks which were reaching Tangier via Switzerland. He was alleged at that time to be operating a Soviet-controlled bank, comparable to the Bank of Northern Europe in Paris, through which Soviet transactions with Spain during the Spanish Civil War were financed.

11. Banque Pariente, correspondent of Brown Brothers-Harriman of New York. Director, Aaron Abensur; Manager, Maurice Abensur. The Pariente bank operations are two-fold, being on the one hand correspondent for the Bank of England and consular bank for England and the US. This side of the business is respectable and normal. On the other hand Abensur^{the} allegedly offered to sell smuggled saccharin to a British national.

12. The International Investment Banking Corporation of Tangier. The director is Mr. Wallbum, a German refugee with a Jewish wife. The Wallbums arrived in Tangier in the early days of World War II and were extremely poor. By late 1949 they had amassed a tidy fortune.

13. Banque Marocaine de Credit. Capitalization: 100,000,000 Moroccan francs.

14. Banque Nationale pour le Commerce et l'Industrie (Afrique), a

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branch of the Algiers bank of the same name. Director: de Portalis.

Capitalization: 300,000,000 francs.

15. Banque Transcontinentale. Capitalization: \$250,000.

16. Nicholas Rosenbaum. This bank is a partnership of Nicholas Rosenbaum and David Wetzler. When Rosenbaum arrived in Tangier in 1940 his sole capital was three gold watches sewn inside his coat. In 1949 he was a wealthy man. He will get capital out of any country for a flat fee of 20 to 25 percent, or from the Soviet and Satellite states for 30 to 40 percent.

C. Money Changers.

In addition to the recognized banking establishments, there are scores of small money changers and exchange brokers. The following were listed in the Annuaire Commercial de Tanger for 1948-49:

J. Arevalo Capilla

J. A. Benchimol

Moises Bendayan

Diego Cano Marchena

Isaie M. Chocron

Jacob M. Chocron

Marcos Cohen

A. Delmar and Hno.

Isaac Edery

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Mosod Esebago

Jacob Moyal

Menahem Moyal

Niddam and Edery

Nuñez and Castiel

S. A. Sananes

D. Currency Transactions.

The Banque d'Etat du Maroc, whose central office is in French Morocco, is the authorized issuing agency of the legal currency of the International Zone, the Moroccan franc. The only notable regulation derives from Article 23 of the Tangier Statute which provides that the rate of exchange between the franc and peseta shall be fixed daily by this bank after verification and endorsement by the Director of Finance. The peseta is an accepted medium of exchange, its position dating from the Spanish occupation of 1940-45. It is estimated that there are at least one billion pesetas circulating in Tangier, or about five percent of the total pesetas in circulation. Although the amount of Moroccan francs in circulation in this Zone cannot be estimated, the total in circulation in both the International and French Zones is 24 or 25 billion.

Because there is neither a central banking organization nor an institution sufficiently strong to dominate or control the market, the values of all

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currencies are subject to sudden fluctuations. In general the Tangier rate may be said to reflect more nearly the true exchange value of any currency which is overvalued at official rates. Thus the Moroccan franc appreciated markedly during 1949 while the Spanish peseta depreciated. This was due partially to the simplification of exchange regulations in the franc area while the multiple exchange rates in the peseta area became even more complex.

Tangier was not greatly affected by the currency devaluations in September 1949 because currencies were already being traded on the free exchange at levels approximating their post-devaluation rates. One important commercial result of the devaluation, however, was the virtual cessation of the pound-dollar switch via Tangier which had caused considerable anxiety in London financial circles. After devaluation the difference between the official dollar value of the pound sterling and the Tangier rate was too small to make this operation profitable.

E. Gold Transactions.

Tangier's leading import is gold. It is the only place in the world where private import and export of gold is legal. A Tangier law of 28 December 1948 imposes no duty on gold and silver in transit and has encouraged the use of Tangier as an exchange. This gold may be stored locally for one year without payment of duty. Thus in 1949 more than 15 million grams

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of gold ingots and coins entered Tangier by legal channels and almost 9 million grams were exported without payment of any duty.

In 1946 and 1947 Tangier gold dealers imported coins from Switzerland by air. Among the Swiss banks involved in these transactions were the Société de Banque Suisse at Geneva and the Schweizerische Volksbank at Zurich. Generally speaking export permits were granted without difficulty, payment being made in Swiss francs. The major part of the gold sold by one dealer, Nicholas Rosenbaum, was purchased by local French and Spanish banks, especially the French Banque Commerciale du Maroc.

During this period there were large importations of Mexican centenarios under a license issued by the National Bank of Mexico. The Mexican gold pieces were purchased with dollars and imported by air via New York. This Mexican gold was also sold to banks but a large portion was also purchased by jewelers. There was no large market in gold ingots as the price of the Mexican gold currency approximated that of the gold ingots.

Toward the end of 1947, the Swiss and Mexican authorities prohibited the exportation of gold and the trade slowed down considerably.

Since 1947 the price of ingot gold on the Tangier market has risen from about \$27 an ounce to \$50 an ounce. The recent increase in the amount of gold on the world market may have forced the price down in Tangier.

Essentially the local market for ingot gold is not large because foreign

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exchange transactions are free, and there is complete anonymity in all business and hence no fear of confiscation or taxation.

In June 1949 the value of all gold deposited in Tangier was estimated between 5 and 10 million dollars.

Most current transactions are restricted to buying and selling within Tangier. Small amounts of gold are believed to be smuggled into Italy and the Middle East.

Some of the gold coins circulating in Tangier are undoubtedly counterfeit. The majority of such coins are believed to have been made in Italy. The gold content, however, is approximately the same as in genuine coins. In a number of instances Austrian or German gold pieces have been melted down and restamped as British, American, or Swiss coins. The British Foreign Office is particularly concerned over the counterfeit British sovereigns in circulation and has commenced an investigation.

The largest gold operator in Tangier is said to be Maurice Henri Lagasse, blacklisted during World War II for collaboration with the Germans in Paris, Lisbon, and Tangier, but apparently cleared of such charges. The Chief of the Security Section of the Tangier Police has reported that the home of Lagasse is used as a storehouse for gold and is equipped with crucibles, rollers, and other metallurgical equipment, and has estimated Lagasse's hoard at ten tons. Lagasse has been involved in gold transactions

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with the Banco de España and is believed to have sold small quantities to the Banque de l'Indochine.

F. Stock Exchange.

Efforts of local businessmen to operate stock exchanges in Tangier have been looked upon with disfavor by the International administration, particularly the Assistant Administrator for Finance. Nevertheless, for several years there has been considerable agitation to establish a stock exchange, and to interest American investors. As a result the Société Boursière Tangéroise was created in January 1949 to deal in securities, commodities and foreign exchange futures. By autumn it had ceased to function.

On February 1950 a similar organization opened for business under the name of Bourse Internationale Libre de Tanger (Société Privée) -- International Free Exchange of Tangier (a private company). The announced capitalization is 1,500,000 pesetas. The operations of this organization for the first month of its existence were limited to transactions in currency, principally exchanges of pesetas against dollars and Moroccan francs. Business averaged 3,000,000 pesetas per day. No fees were charged during the first month.

As presently organized, there is a preponderance of Spanish interest in the organization. The principal officers are:

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1. Vittorio Merello, Chairman of the Board of Directors. He is an official of the Banco Commerciale Italiano, and in 1928-1931 was Vice President of its New York Branch. In 1938-1942 he was associated with the Banco Nacional de Laboro in Madrid, Spain, and with the SAFMI, an official Italian trading organization with headquarters in Rome.

2. Henri Pères, Vice Chairman of the Board of Directors. He is a director of several French commercial and trading firms located in Tangier, and at present is honorary president of the International Chamber of Commerce, Industry, and Agriculture of Tangier.

3. Julio Gomez Monche, Vice Chairman of the Board of Directors. He is a Madrid lawyer who divides his time between Madrid and Tangier. He is also associated with various commercial and financial enterprises in Tangier, the most important of which is the Real Estate Bank of Tangier, of which he is the manager. He also has been reported as an agent for the Instituto Español de Moneda Extranjera carrying out purchases of foreign exchange against pesetas on the Tangier market. Authenticity is lent to this rumor by the sympathetic interest in the Bourse displayed by the Spanish Consulate General and the Spanish banks in Tangier.

4. Emilio Polo, Manager. He is an associate of Gomez Monche in the Real Estate Bank of Tangier.

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Other members of the Board of Directors are:

Edmondo Turce, Italian financier.

Martin Velez, Director of the Docks de Tanger.

Xavier Martinez de Bedoya, attorney specializing in international law.

The expenses of the Bourse at present amount to 50,000 pesetas per month; officials who are also stockholders are not receiving salaries. Another 500,000, raising the capitalization to 2,000,000 pesetas, are required and will be raised from the sale of seats, dues of stockbrokers, etc. The Bourse anticipates an operating loss for at least two years. The building which it occupies is rented.

The Bourse plans to organize a stockbroker's syndicate, or "Colegio de Corredores de Aduanas." Initially, there will be 15 or 16 local members. Membership will cost \$500 and will give the right to operate on the floor and to be listed among the official brokers. The management will accept as members local and foreign banks and brokers, the last only if regularly registered in the official list of the stock exchanges of their countries. Seats are nominative and can be transferred to other persons or firms with the approval of the management. Foreign members may be represented by an authorized person or company duly appointed.

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When this phase of the program has been completed, the Bourse hopes to sell 50 or 60 additional seats locally and abroad. In addition to the initial cost, these members will pay quarterly dues in proportion to their volume of business, based on the following schedule:

<u>Volume of Business</u>	<u>Dues</u>
Less than 5,000,000 pesetas	2,000 pesetas
5,000,000 to 10,000,000 pesetas	3,000 pesetas
10,000,000 to 15,000,000 pesetas	4,000 pesetas
15,000,000 to 25,000,000 pesetas	5,000 pesetas
More than 25,000,000 pesetas	10,000 pesetas

Once the Stockbroker's Syndicate is organized, the Bourse will quote a limited number of foreign securities, although the typical Tangier investor is accustomed to speculating in currency rather than in securities. There are almost no Tangier securities. Because the exchange laws of France, Spain, Italy, and the UK restrict trading in securities, those handled by the Bourse probably will be principally US or Swiss. The management has announced that only securities already listed on the New York Stock Exchange or on the Swiss exchanges will be handled.

In addition to the Tangier investors or speculators, the Bourse hopes to attract the large deposits of idle capital which have sought refuge in the Zone. Owners of this capital are assured of anonymity so far as their home governments are concerned. The Bourse particularly hopes to attract US speculators who wish to avoid the US short-term capital gains tax.

The Paris Stock Exchange is represented in Tangier by a broker,

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M. René Grunberg

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G. Foreign Trade.

The principal source of revenue for the International administration is a 12½ percent ad valorem duty charged on all imports except for gold and other commodities in transit. This income has been sufficient to cover all the expenses of the administration. Although Tangier is not a free port, goods in transit may be stored for three months (in the case of gold for 12 months) without payment of duty.

Tangier normally has a substantial trade deficit. In 1949, for instance, imports were valued at 8,651 million francs (\$20.9 million) and exports at 900.7 million francs (\$2.18 million), producing a deficit of 7,750.7 million francs (\$18.8 million). This deficit is made up in various ways, many of them illegal and all difficult to account for statistically.

Tangier serves as the entrepôt for shipment to the US of many goods of non-Moroccan origin that do not appear in the official export figures. During 1948, for instance, the Legation certified consular invoices for the shipment of more than \$2 million worth of goods of non-Moroccan origin to the US. Most important among such shipments were those of diamonds and platinum, but they included also such items as brilliants, pepper, Australian hare and rabbit skins, beaver and otter skins, and nutmeg. It is unlikely that the amounts paid for these exports remained in Tangier, but they indicate one phase of the area's trade.

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The reimposition on 30 December 1948 of French Moroccan import license requirements adversely affected Tangier's export trade with the French Zone. Its effect on banking transactions was even more important because many goods shipped directly to Casablanca were paid for through Tangier banks.

Six organizations in Tangier exist to further trade between the International Zone and other areas. These include:

The British Chamber of Commerce. Percy Selwyn, president.

Camara Oficial Española de Comercio (Official Spanish Chamber of Commerce). Luis Montero Castillo, president.

Chambre de Commerce Française (French Chamber of Commerce). Jules Richard, president.

Camara di Commercio Italiana (Italian Chamber of Commerce). Augusto Businelli, president.

Chambre Internationale de Commerce, d'Industrie et d'Agriculture (International Chamber of Commerce, Industry and Agriculture). Mair E. Abitol, president.

Moroccan Chamber of Commerce, Industry and Agriculture, Hadj Mohammed ben el Maki Benani, president.

The last named of these organizations was established in April 1949.

Its members are restricted to native Moroccans, both Moslem and Jewish.

The new Chamber was established with the approval of the Mendoubia

(Sultan's representation), although French officials had previously attempted

to discourage the establishment of the group. It is probable that the

French are confident that they can control this body through the Mendoubia.

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Spanish disapproval of the venture is indicated by the absence of an official delegation at the inaugural ceremonies.

H. Smuggling.

The income from smuggling commodities into and out of Tangier to avoid payment of import duties probably approximates that derived from the exchange transactions. Any commodity in short supply anywhere in the world may be found in the Tangier traffic, although cigarettes, nylon hose, drugs such as streptomycin and penicillin, and gold and currency are the principal commodities. There is no indication ^{of} that traffic in narcotics flourishes. Smuggling by both sea and air takes two forms. The first is through evasion by the use of devices such as false shipping documents. The other type of illicit traffic is the clandestine loading and unloading of merchandise in isolated spots along the coast.

There is a possible connection between these smuggling activities and Soviet intelligence. At least one boat of Albanian registry, the 52-ton motor vessel ROZAFAT, is known to make trips between Tangier, Italy, and Albania. Arms and agents could thus also enter and leave Tangier without great difficulty, but because the Tangier smuggler is interested primarily in the greatest monetary gain possible, it is not believed that there is any appreciable traffic in arms and agents at present.

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Attempts were made in 1948 to use Tangier as a transit point for the shipment of war materiel to Zionist forces in Israel. No embargo was imposed by the authorities, but the International police were alerted to prevent the movement of arms and at least one lot of ammunition was confiscated. In February 1950 a few small arms were smuggled from Tangier to the Spanish Zone of Morocco by a native religious sect. The International police arrested 24 persons in connection with the incident, but the hoard of arms uncovered was insignificant.

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